



L'INTERFORM

Il vostro partner dal 1968

Newsletter, 14.04.2020



COMMENTS

- Following the meaningful sell-off two weeks ago, markets stabilised somewhat last week driven by market expectation of government interventions. Not only in the US, but also in the EU market participants and dairy associations are increasingly speaking about the immediate need of unprecedented intervention measures. At the same time, the media is full of farmers deciding to dump some of their milk production and governmental actions to incentivise cuts in milk production. All of these events confirm the seriousness of the current situation in the dairy industry, and we can now speak of a broad-based negative shock for the whole dairy value chain. Uncertainty is felt everywhere and market participants do not know what will happen beyond tomorrow. This is extremely negative both for production and trade decisions.
- The latest Global Dairy Trade (GDT) auction in New Zealand confirmed there was some relief during last week on the dairy markets. Better than expected results were mainly driven by the increased number of Asian and particularly Chinese buyers. The overall index increased by 1.2% following four losses recorded in a row. Butter index increased by 4.5%, Cheddar by 0.2%, but SMP decreased by 0.8%. It should be however noted that total traded volumes were significantly lower than during previous auctions (current: 20,302 tons versus 24,209 tons during the previous auction), showing the fragility of dairy markets.
- As currently the fundamental outlook is unchanged for the dairy industry (i.e., ample milk supply while demand is decreasing), we expect prices to remain under pressure, and governments will be forced to ease the stress on the industry by activating intervention measures. In Europe the public purchase (intervention) prices of butter and SMP (EUR 2,217.5 and EUR 1,698 per tons respectively) will soon be tested. In the US, the milk associations not only demand buying up excess commodity dairy products, but also providing significant financial support to farmers with the aim of meaningfully (10%) cutting back raw milk production.
- Going forward, it will be important to follow how farmers react to governmental initiatives and if they will lower milk outputs. Moreover, dairy demand is undergoing a significant change, eating out is almost disappearing and home consumption is intensifying. However, as of today the overall impact is expected to be negative for total dairy consumption. Any signs of less negative consumption outlook and/or any success in cutting back raw milk production in the current flush season could ease somewhat the free fall trend in dairy prices. It should also be added that processors are also facing meaningful challenges: not only staff threatened by the coronavirus but also the requirement to adjust dairy processing very quickly (from serving restaurants to retail needs and from longer shelf-life products to dried products).
- In Europe the butter market stabilised somewhat last week following dramatic price drops. Uncertainty is very much characterizing the butter market and price quotations are much wider than normal. The average EEX butter price increased by 0.4% compared to the end of the previous week. Producers are now forced to adjust production quickly from industry to retail. It is questionable if it is possible to execute these adjustments in a relatively short period of time. In addition, retail demand seems to be fading, as consumers are getting used to the new reality, and panic shopping habits are now over. According to market reports, warehouse capacities are scarce, and butter stocks are at high levels. In addition, export activity is also reported to be sluggish. All of this information underpins that one can expect negative price pressure to be sustained for an extended period of time.
- The European skim milk powder (SMP) market also stabilised last week. From the February price peak (ca. EUR 2,600) European SMP is now traded at some 30% lower, and European Commission intervention price is extremely close (EUR 1,698). The SMP market has reacted very fast in the current downturn, however, the pressure has eased somewhat recently (also driven by the relatively positive GDT result). The average EEX SMP price has increased by 3.7% compared to the end of the previous week. Market participants still expect processors are trying to channel their production into powders, especially into SMP as much as possible. However, market rumours are referring to limitations in drying capacities. Price levels are now very attractive for the long-term buyer, however, the market outlook is extremely uncertain, therefore very limited number of longer term deals are currently being concluded. The same is true for the export business. Natural demand based on historical patterns is there, but big importers are also cautious in the current market environment. It should be also added that US-originated SMP is now extremely price competitive.
- The cheese market also closed a more stable trading week. Prices are now relatively unchanged, nevertheless the outlook is uncertain, which is also reflected in wide price quotations. Many market reports are talking about cheese producers cutting back their production levels as demand has disappeared for certain types of cheeses used mostly in the dining industry. On the other hand, demand from the retail sector is still reported to be strong. The usual seasonal increase in cheese demand from Southern European tourist destination countries is not present at the moment. Export is reported to be relatively strong, especially towards Asian countries, however, transportation costs are well above normal levels.

Sigrid Pichler's weekly update on the liquid milk spot market

- The current market situation could be summarized with "proceed with caution". We work in a difficult period of time and we try to do our best. The price of Italian milk is recovering and stabilizing at ca. EUR 30 / 100kg. Mozzarella sector is slightly improving, supported by pizzerias that focus on home deliveries and by everyone who bakes pizza at home. However, tourism business has completely disappeared, and we can see it.
- Germany and Austria cut prices - especially prices of fat. This is also due to the increase of the price of butter to the end consumer and to the crisis of tourism. UHT milk market seems doing well. We see prices between 20 to 23 EUR / 100kg for raw milk and 8 to 10 EUR / 100kg for skim milk. The cream also drops below 3 EUR / kg. Here milk will have to find its way, like in Italy.

CHEESE SPOT PRICES (EXW)

EUR/kg	17-mar	24-mar	31-mar	07-apr	14-apr	Trend
Edam	3,35-3,25	3,35-3,25	3,25-3,15	3,25-3,15	3,25-3,15	→
Cheddar	3,35-3,25	3,35-3,25	3,25-3,15	3,25-3,15	3,25-3,15	→
Mozzarella	3,25-3,15	3,20-3,10	3,10-3,00	3,05-2,95	3,00-2,90	↘
Emmental	3,60-3,50	3,60-3,50	3,55-3,45	3,60-3,50	3,60-3,50	→
Reibekäse	3,40-3,30	3,35-3,25	3,30-3,20	3,30-3,20	3,35-3,25	↗

LIQUID MILK AND FAT SPOT PRICES (EXW)

€/cent/kg	17-mar	24-mar	31-mar	07-apr	14-apr	Trend
Skimmed Milk	14,50	16,00	18,50	10,50	9,00	↘
Whole Milk	30,00	29,00	29,50	26,00	21,50	↘
Fat*	4,00	4,20	4,20	3,30	3,00	↘
Butter from Cream **	3,51	3,67	3,67	2,94	2,69	↘

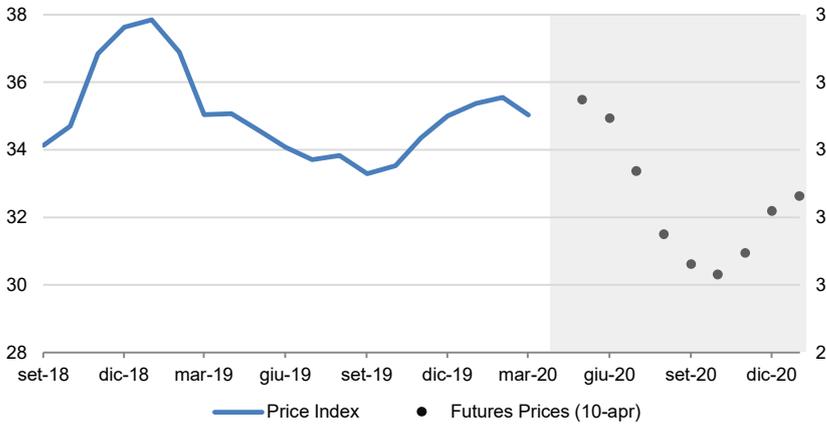
*EUR/kg | ** Implied butter price from cream 100% fat including transformation costs

^A Variation from the same period of the previous year; ^B All price variations are compared to last week prices

⁰ Average French and German milk deliveries from the last 4 weeks as base for the computation; ¹ Computation based on average price of Edam, Cheddar, Mozzarella, Emmental, Reibekäse

² Average prices from next 6 maturities; ³ Average prices from next 6 maturities with 66,5% corn and 33,5% soy meal

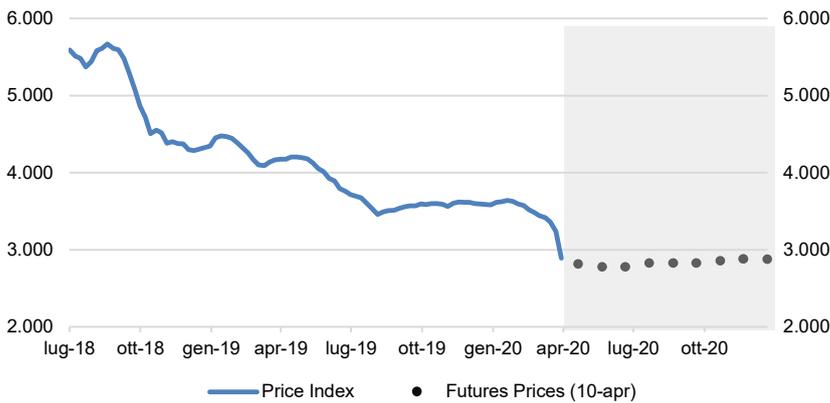
LIQUID MILK - EEX FUTURES PRICES



Price index (D, NL, DK, IRL)	12-mar	14-apr	Var
		35,03	35,40

Futures prices EUR/100kg				
Month	27-mar	03-apr	10-apr	Var
mag-20	35,33	35,48	35,48	0,0%
giu-20	34,78	34,93	34,93	0,0%
lug-20	33,33	33,37	33,37	0,0%
ago-20	31,78	31,50	31,50	0,0%
set-20	31,19	30,61	30,61	0,0%
ott-20	31,18	30,31	30,31	0,0%
nov-20	32,07	30,94	30,94	0,0%
dic-20	33,50	32,18	32,18	0,0%
gen-21	34,08	32,63	32,63	0,0%

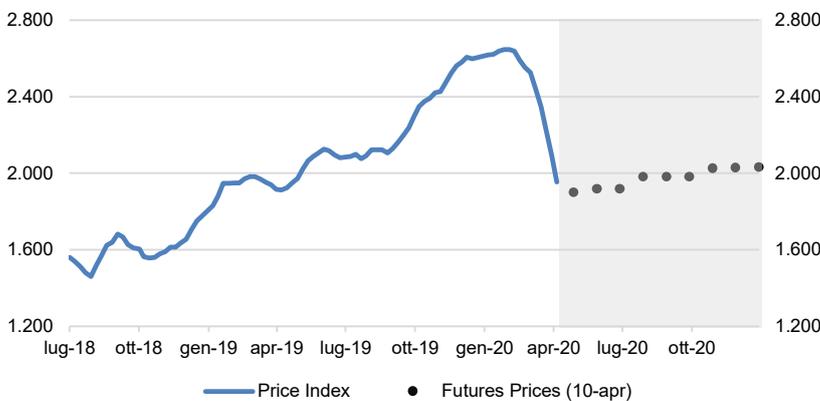
BUTTER - EEX FUTURES PRICES



Price index (F, D, NL)	01-apr	08-apr	Var
		3.240	2.890

Futures prices EUR/100kg				
Month	27-mar	03-apr	10-apr	Var
mag-20	3.150	2.878	2.813	-2,3%
giu-20	3.111	2.742	2.775	+1,2%
lug-20	3.113	2.744	2.775	+1,1%
ago-20	3.159	2.803	2.825	+0,8%
set-20	3.193	2.804	2.825	+0,7%
ott-20	3.205	2.804	2.825	+0,7%
nov-20	3.218	2.860	2.857	-0,1%
dic-20	3.235	2.877	2.877	0,0%
gen-21	3.239	2.886	2.875	-0,4%

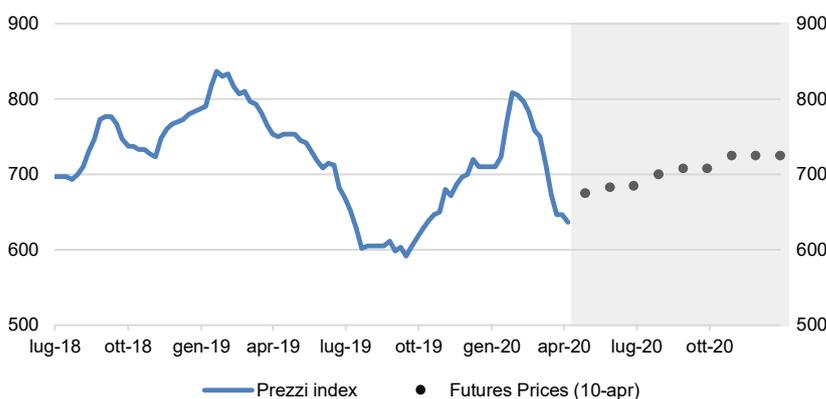
SKIMMED MILK POWDER - EEX FUTURES PRICES



Price index (F, D, NL)	01-apr	08-apr	Var
		2.093	1.955

Futures prices EUR/100kg				
Month	27-mar	03-apr	10-apr	Var
apr-20	2.000	1.875	1.900	+1,3%
mag-20	1.997	1.880	1.919	+2,1%
giu-20	2.019	1.850	1.919	+3,7%
lug-20	2.040	1.857	1.982	+6,7%
ago-20	2.050	1.902	1.982	+4,2%
set-20	2.050	1.902	1.982	+4,2%
ott-20	2.100	1.938	2.027	+4,6%
nov-20	2.100	1.938	2.029	+4,7%
dic-20	2.100	2.000	2.032	+1,6%

WHEY POWDER - EEX FUTURES PRICES



Price index (F, D, NL)	01-apr	08-apr	Var
		647	637

Futures prices EUR/100kg				
Month	27-mar	03-apr	10-apr	Var
apr-20	668	662	675	+2,0%
mag-20	665	672	683	+1,6%
giu-20	673	677	685	+1,2%
lug-20	680	688	700	+1,7%
ago-20	710	685	708	+3,4%
set-20	740	688	708	+2,9%
ott-20	820	713	725	+1,7%
nov-20	820	713	725	+1,7%
dic-20	820	713	725	+1,7%

INTERNATIONAL TABLE - SEMI-FINISHED PRODUCTS (15.03.2020)

Prices in Euro/Ton	EU		Oceania		USA	
Product	Price	Var* %	Price	Var* %	Price	Var* %
Butter	3.358	-6,4%	3.883	+2,4%	3.238	-10,1%
SMP	2.191	-13,9%	2.458	-2,1%	1.935	-8,6%
Cheddar	2.963	-4,8%	3.984	+3,5%	3.473	-2,2%

* compared to last 15 days

INTERNATIONAL TABLE - MILK VALORISATION (15.03.2020)

Prezzi in Euro/100kg	EU		Oceania		USA	
Product	Price	Var** %	Price	Var** %	Price	Var** %
Raw Milk (12.19)	35,20	-0,4%	31,80	-6,2%	38,80	+1,0%
MV in Cheese*	29,89	-5,7%	-	-	32,11	-5,4%
MV in Butter/SMP*	31,53	-12,3%	36,59	-0,1%	29,51	-5,0%

*MV= Milk Value 4% fat, 3,4% protein; ** For raw milk, compared to last month and for MV compared to last 15 days

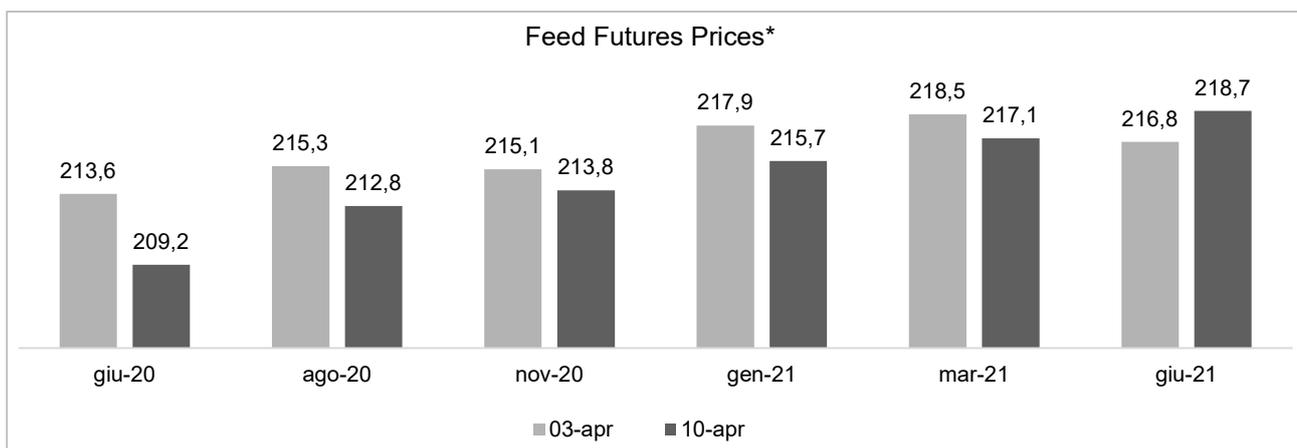
EUROPEAN TABLE - COMPARISON OF FARM-GATE MILK PRICES

Euro/100kg	nov-19	dic-19	gen-20	feb-20	Var %	Trend
Italy	39,23	38,70	39,70	37,51	-5,5%	↘
Germany	35,19	35,29	34,94	34,81	-0,4%	↘
France	37,46	36,78	36,42	36,86	+1,2%	↗
Poland	32,85	33,33	32,76	32,54	-0,7%	↘
United Kingdom	33,93	33,56	32,89	33,06	+0,5%	↗
EU (without UK)	35,59	35,60	35,34	35,22	-0,3%	↘

COMMODITIES

Euro/ton	10-apr	Var %	Trend	Euro/100kg	10-apr	Var %	Trend
Wheat - Matif	198,00	+3,7%	↗	Potatoes - EEX	2,50	0,0%	→
Soymeal - CBOT	294,72	-4,6%	↘	Crude Oil - Brent*	31,48	-7,7%	↘
Corn - Matif	164,75	-0,5%	↘	EURO/Dollar	1,09	+1,2%	↗

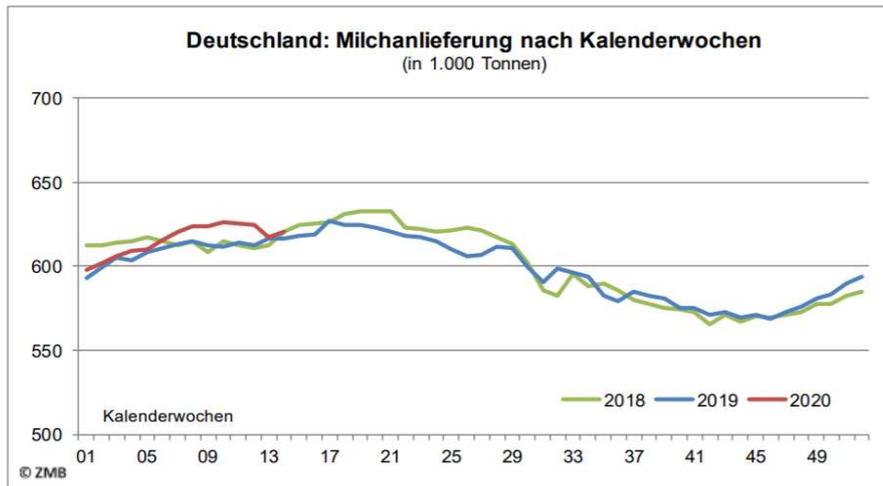
* Dollar/Barrel



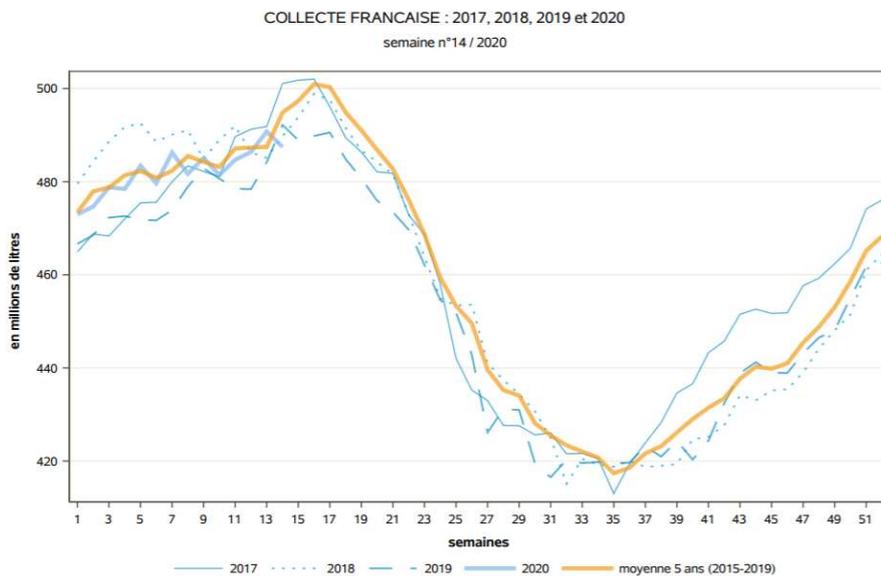
*EUR/ton, prices are based on 66.5% wheat and 33.5% soymeal futures

MILK DELIVERY IN GERMANY AND FRANCE

Germany, weekly milk delivery: $\Delta +0.5\%$ (week 14/2020 and week 13/2020) // $\Delta +0.7\%$ (week 14/2020 and week 14/2019)



France, weekly milk delivery: $\Delta -0.7\%$ (week 14/2020 and week 13/2020) // $\Delta -1.0\%$ (week 14/2020 and week 14/2019)



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