

Milk Update from Advanced Nutrition 03.06.20

Commodities Surge and Shrug Off Covid-Blues - for now!

Core milk price information (ppl)

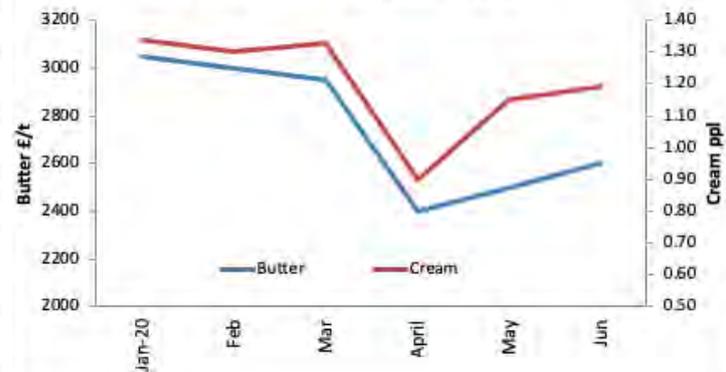
	ppl	Change
Average DEFRA milk price (2/3 month lag)	27.60	↓ -1.03
DEFRA price, corrected to 4%f & 3.3%p	26.61	↓ -0.49
Average non-aligned price	25.84	↑ 0.09
Indicative organic price	38.37	↑ 0.02
AMPE (returns from butter and SMP)	25.02	↑ 3.69
AMPE forward "farmer price" +3 mths	22.82	↑ 0.07
MCVE (reflects cheese returns)	26.85	↓ -1.26

Milk price rankings last quarter

		Change prev 1/4
1 Arla	29.04	↓ -0.13
2 Saputo	27.63	↓ -0.32
3 Crediton	27.50	↓ -0.67
4 Barbers	26.80	→ 0.00
5 First Milk	26.75	↑ 0.08
6 Lactalis	26.50	→ 0.00
7 S Caernarfon	26.36	→ 0.00
8 Muller	26.25	→ 0.00
9 Belton	26.25	→ 0.00
10 Wyke	26.00	→ 0.00

Max	29.04 p
Min	26.00 p
Diff	3.04 p
% Diff between max price and min price	11.7 %

Butter and cheese prices (£/t)



What a turnaround! Nobody expected this, for sure. Markets have increased markedly, epitomised by the cream price which is back up to the mid £1.35 and even into the £1.40's by some accounts! That means it's over its pre-Covid lockdown levels! No trader expected such a gain, in such a short period of time, least of all when food service businesses are nowhere near back to order.

Butter has also increased, and is getting on towards its pre lockdown level, but isn't there yet. It is now at £2800 to £2900/t, again way higher than would have been predicted at the start of lockdown.

Milk powders, too, have posted decent gains, so much so that some of the lower paying processors are already increasing their prices. Whether these increases are sustainable remains to be seen.

More than a few traders simply can't believe their eyes, and thus don't think that the bounce will be maintained. However it is pretty clear that prices went down too much after lockdown and when panic initially set in, and that market support measures such as PSA have helped stabilise what was, then, a sinking ship. Sentiment has shifted markedly, and in the dairy market sentiment can be everything.

The drought across Europe is also playing its part. Milk volumes are below expectations already - and before the drought really starts to bite. It will certainly help the market stay robust if it continues!

Milk Update from Chris Walkland

UK / EU Real Market Trends

Monthly commodity prices

	Current	Diff on mth	Diff on 2 mths	Diff on 6 mths
UK Cream £/kg	£1.37	↑ 0.20	↑ 0.47	↑ 0.03
UK Spot price (p)	25.00	↑ 6.50	↑ 9.00	↓ -6.00
UK mild cheddar / t	£2,900	→ 0	↓ -50	↑ 50
UK Butter / t	£2,850	↑ 250	↑ 450	↓ -£300
EU Butter / t				
German	3075	↑ 275	↑ 425	↓ -525
French	3170	↑ 370	↑ 510	↓ -430
Dutch	2980	↑ 330	↑ 410	↓ -610
WMP / t				
German	2675	↑ 30	↓ -45	↓ -445
French	2610	↓ -100	↓ -140	↓ -680
Dutch	2570	↑ 20	↑ 30	↓ -530
SMP / t				
German Food	2085	↑ 95	↑ 120	↓ -505
French Food	2030	↑ 100	↑ 120	↓ -570
Dutch Food	2070	↑ 90	↑ 170	↓ -530
Dutch Feed	1930	↑ 80	↑ 150	↓ -550
Whey / t				
German	755	↑ 65	↑ 80	↑ 35
French	710	↑ 10	↑ 30	↑ 20
Dutch	750	↑ 40	↑ 50	↑ 30

EU Observatory

	Butter £	Diff 2 wks	Cheddar £	Diff 2 wks
22-Mar	3170	↓ -5	2725	↓ -33
29-Mar	3064	↓ -66	2759	↑ 29
05-Apr	2864	↓ -306	2680	↓ -45
12-Apr	2636	↓ -429	2631	↓ -128
19-Apr	2568	↓ -296	2638	↓ -42
26-Apr	2558	↓ -78	2648	↑ 17
03-May	2563	↓ -5	2679	↑ 41
10-May	2466	↓ -91	2695	↑ 46
17-May	2575	↑ 12	2698	↑ 19
24-May	2650	↑ 183	2693	↓ -1

(NB Observatory is nearly always two weeks behind)

Milk price predictions from EU commodities: INCLUDING LIKELY MARGIN FOR PROCESSOR			
Apr	22.03		
Apr	20.03	↓ -1.99	
Apr	19.86	↓ -0.18	
Apr	20.43	↑ 0.57	
May	20.75	↑ 0.32	
May	21.39	↑ 0.64	
May	22.26	↑ 0.86	
May	23.62	↑ 1.36	

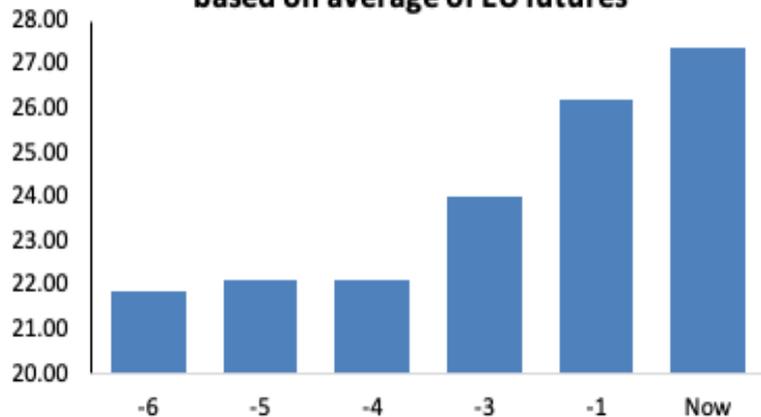
There have been significant increases across nearly all commodities in the main EU countries. The average European butter price has increased for six consecutive weeks, and has now crossed €3,000 again, which at current exchange rates equates to slightly less than £2,800.

The average SMP price, excluding feed grade, is now over €2,000, which equates to £1,850 at current rates. The combination results in an AMPE price of approximately 23.7ppl after an allocation for transport.

EU price prospects climb towards 27p levels

Six weeks ago UK farmgate prices based on the EU futures were trending towards the 21.86p level, but they are now at 27.40p, which is a change of 5.54p. Factoring NZ futures prices puts the current prospects at just short of 27p.

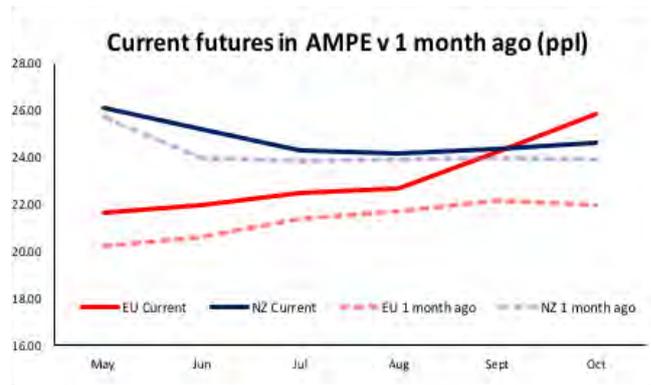
Milk price prospect trends last 6 weeks
based on average of EU futures



What do the futures markets say?

The increase in EU futures over the last month shows the scale of the increase - they are up 5p when looked at over the next six months, to an average of 27.40p.

New Zealand futures are up 1.2p on the month, and settle out at 26.21p, notably now less than EU prices for later in the season.



What does the GDT say?

The GDT Index for the 2nd June auction was very similar to the previous auction, posting a 0.1% improvement. Nevertheless, and technically, its two positive auctions in a row now, and there are some green boxes for positivity starting to emerge (see box, bottom right). Because Covid struck towards the end of New Zealand's season they have escaped the worst, but it will start up again this month and it will be all eyes on the early season volumes.

The commodities convert into a UK milk price equivalent before transport of around 26.5ppl at current exchange rates, up nearly 1p on the previous auction but largely because of currency changes as opposed to any major commodity price change.

The combination of GDT + NZ Futures also points to a similar level, with September topping 27p.

All of the trend lines are up, however - another positive in the marketplace!

GDT - percentage change compared to last auction:

21st Apr	Apr	May	Jun	Jul	Aug	Sept
WMP	-4.01	-5.28	-4.18	-3.45	-3.06	-2.61
SMP	-5.33	-10.52	-1.26	-5.23	-5.61	-6.49
AMF	-6.03	-6.67	-4.93	-5.41	-7.41	-7.59
Butter	-3.42	0.00	-2.56	-3.58	-4.08	-5.85
Cheddar	1.93	1.11	1.14	1.14	0.00	0.00

5th May	May	Jun	Jul	Aug	Sept	Oct
WMP	1.40	3.97	0.19	-3.43	8.07	-0.32
SMP	-0.29	-5.33	-3.92	1.52	-1.88	0.08
AMF	-2.69	2.86	-6.88	-1.86	0.32	-0.85
Butter	-6.07	0.00	-7.18	-6.59	-6.08	-3.86
Cheddar	-8.15	-12.09	-2.94	-100.00	0.00	0.00

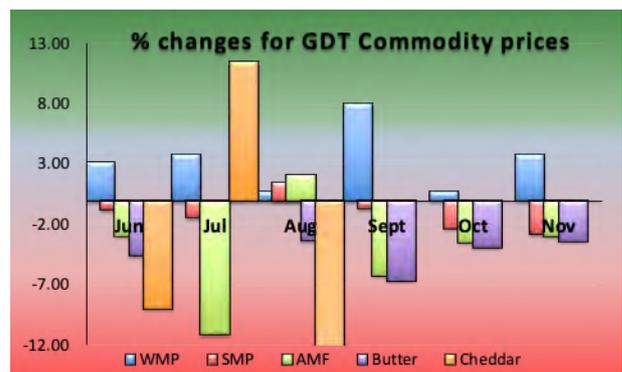
19th May	Jun	Jul	Aug	Sep	Oct	Nov
WMP	-2.48	-6.39	-1.26	1.70	-4.02	-3.22
SMP	7.42	9.48	8.55	3.94	6.39	7.19
AMF	2.67	5.37	2.61	5.40	-0.15	-0.76
Butter	-1.66	0.00	-2.06	-0.77	-2.59	-3.10
Cheddar	-6.10	-3.00	-9.66	0.00	0.00	0.00

2nd Jun	Jun	Jul	Aug	Sept	Oct	Nov
WMP	3.14	3.85	0.75	8.07	0.75	3.77
SMP	-0.75	-1.40	1.50	-0.66	-2.28	-2.77
AMF	-2.92	-11.08	2.16	-6.16	-3.42	-2.88
Butter	-4.52	0.00	-3.29	-6.59	-3.86	-3.34
Cheddar	-8.90	11.47	-100.00	0.00	0.00	0.00

GDT + NZX Futures prices in ppl

	Current	Previous	Diff
Jun	26.38	25.51	0.87
Jul	26.50	25.36	1.14
Aug	26.31	25.32	0.99
Sept	27.30	25.62	1.68
Oct	26.77	25.77	0.99
Nov	26.54	25.28	1.25

- Up over 1ppl
- Down over 1ppl
- Up between 0 and 1ppl: INCONCLUSIVE
- Down between 0 and -1ppl: INCONCLUSIVE

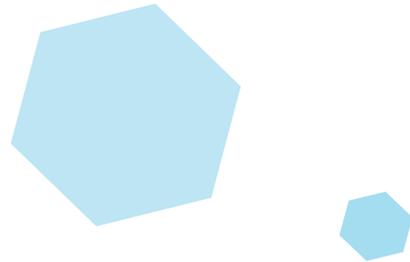


Most milk prices hold through Covid

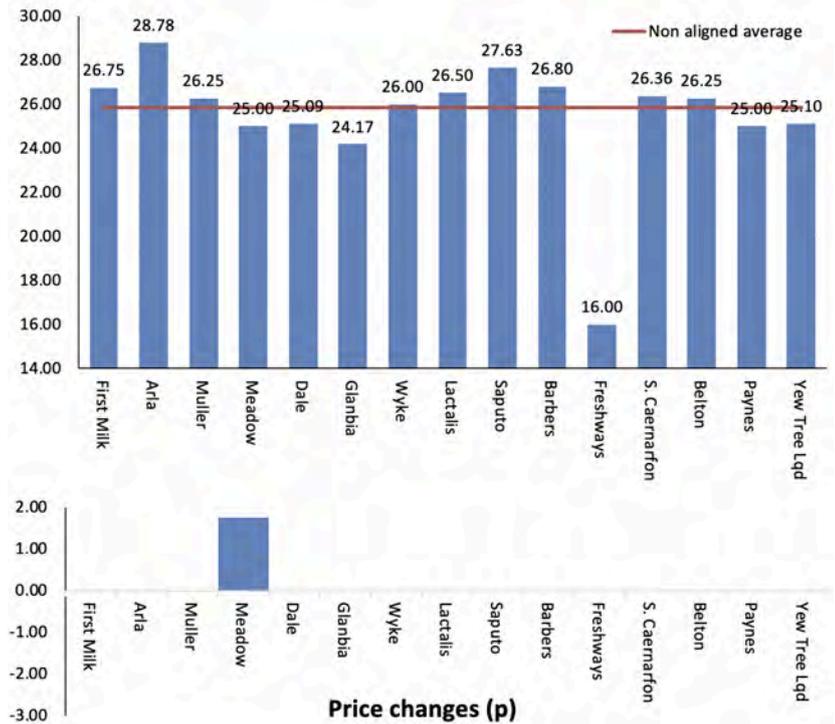
The majority of companies have held their prices for June and some for July, with Meadow Foods being the first to increase theirs across all of their major milk pools.

Arla remains the highest payer outside of the supermarket pools.

The average non-aligned price is estimated to be 25.84p.

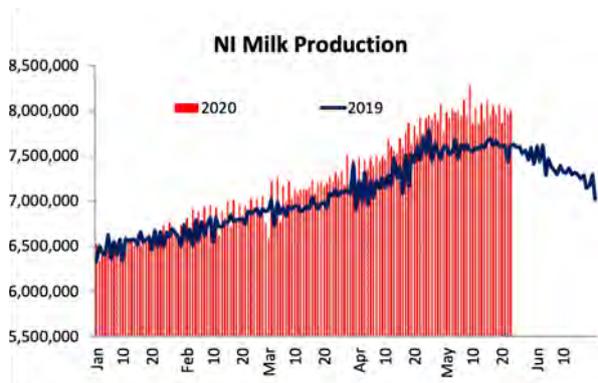
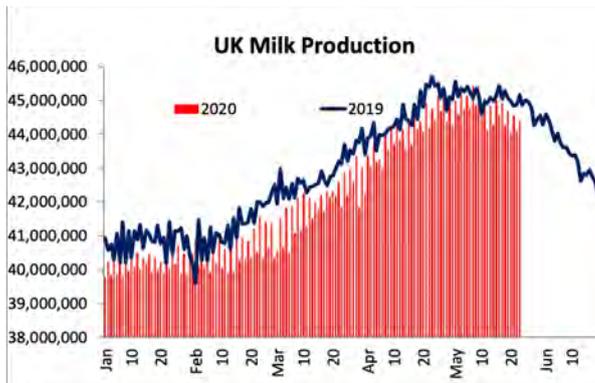


Latest prices from main dairy companies - June (ppl).



Peak season comes and goes with few problems

Peak season came and went in GB with no material processing problems, after milk volume reduction schemes were either imposed or requested by some processors. GB continues to under perform last year, with Northern Ireland still way ahead. And the volume reduction situation is likely to get worse, too, if the rains don't come before too long. And it's not just the UK that is affected - the EU is suffering significant drought in the major milk producing states. This is likely to provide a positive stimulus to the market to counter the negative one when Private Storage stocks start to be removed in Europe.



Disclaimer: The information in the bulletin has been prepared and interpreted using the best and most up to date information available at the time, but is subject to change in line the daily movements in the market. It should be used as a guide only.