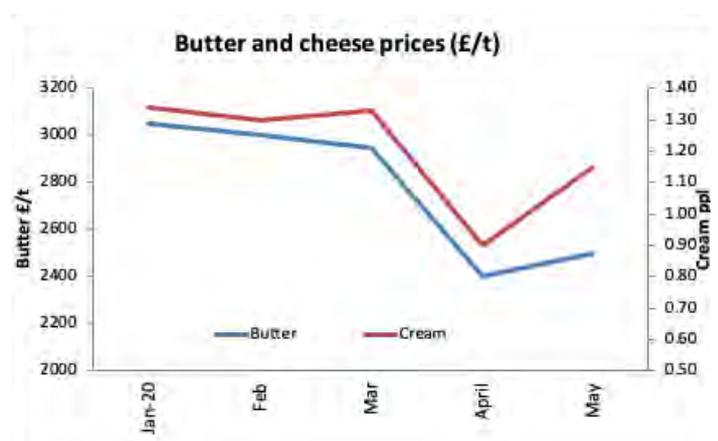
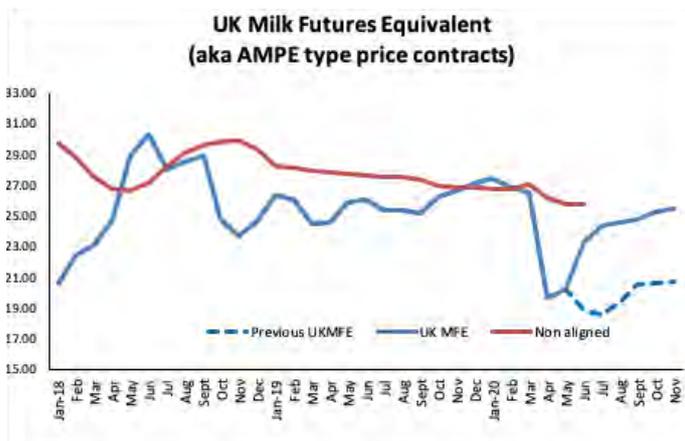


Milk Update from Advanced Nutrition 18.05.20

Milk Report Prepared by Chris Walkland



There is positive news about! Certainly the market seems to have turned the corner thanks to market support mechanisms, the easing of lockdown and the food service market cranking up again with companies wanting to fill their pipelines in readiness for further relaxations.

The two graphs above illustrate the point:

UKMFE prices (an indication of likely farmgate returns based on commodity futures prices) have jumped, as can be seen from the blue lines above, and are back on their pre-Covid lockdown trendline. This has been helped by a boost in butter and cream returns (graph to the right hand side).

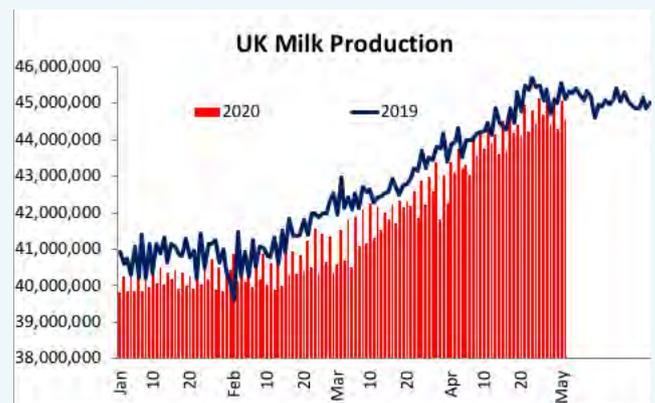
SMP prices are also stable, and climbing, so another positive. And spot milk prices have also stabilised at above 20p, and will likely get more support with the peak being over. All in all then happier times, if not altogether happy ones!

UK past peak as milk volumes still lag last year

UK milk volumes over the last two weeks have averaged 44.68m litres per day, still down on last year but up on the long-term average.

Peak day so far this year is 27 April at 45.23m litres for the UK, and 21 April at 32.23m litres for GB.

Daily volumes have rarely exceeded last year, making for a manageable peak, and helping to strengthen spot milk prices.



Monthly commodity prices

| | Current | Diff on mth | Diff on 2 mths | Diff on 6 mths |
|----------------------------|---------|----------------|-------------------|-------------------|
| UK Cream £/kg | £0.90 | ↔ 0.00 | ↓ -0.43 | ↓ -0.42 |
| UK Spot price (p) | 18.00 | ↑ 2.00 | ↓ -11.00 | ↓ -14.50 |
| UK mild cheddar / t | £2,950 | ↔ 0 | ↔ 0 | ↑ 150 |
| UK Butter / t | £2,450 | ↑ 50 | ↓ -500 | ↓ -£750 |
| EU Butter / t | | | | |
| German | 2800 | ↓ 150 | ↓ -300 | ↓ -450 |
| French | 2800 | ↑ 140 | ↓ -400 | ↓ -600 |
| Dutch | 2650 | ↑ 80 | ↓ -300 | ↓ -500 |
| WMP / t | | | | |
| German | 2675 | ↓ 75 | ↓ -200 | ↓ -400 |
| French | 2610 | ↓ 40 | ↓ -400 | ↓ -600 |
| Dutch | 2570 | ↑ 10 | ↓ -120 | ↓ -300 |
| SMP / t | | | | |
| German Food | 1990 | ↑ 25 | ↓ -200 | ↓ -300 |
| French Food | 1930 | ↑ 20 | ↓ -300 | ↓ -400 |
| Dutch Food | 1980 | ↑ 80 | ↓ -150 | ↓ -300 |
| Dutch Feed | 1850 | ↑ 70 | ↓ -100 | ↓ -200 |
| Whey / t | | | | |
| German | 690 | ↑ 15 | ↑ 70 | ↓ -20 |
| French | 700 | ↑ 20 | ↑ 40 | ↑ 20 |
| Dutch | 710 | ↑ 10 | ↑ 50 | ↑ 10 |

EU Observatory

| | Butter | Diff 2 wks | Cheddar | Diff 2 wks |
|--------|--------|------------|---------|------------|
| | £ | | £ | |
| 08-Mar | 3175 | ↑ 100 | 2758 | ↑ 100 |
| 15-Mar | 3130 | ↑ 96 | 2730 | ↑ 105 |
| 22-Mar | 3170 | ↓ -5 | 2725 | ↓ -33 |
| 29-Mar | 3064 | ↓ -66 | 2759 | ↑ 29 |
| 05-Apr | 2864 | ↓ -200 | 2680 | ↓ -45 |
| 12-Apr | 2636 | ↓ -228 | 2631 | ↓ -128 |
| 19-Apr | 2568 | ↓ -68 | 2638 | ↓ -42 |
| 26-Apr | 2558 | ↓ -78 | 2648 | ↑ 17 |
| 03-May | 2563 | ↓ -5 | 2679 | ↑ 41 |
| 10-May | 2466 | ↓ -91 | 2695 | ↑ 46 |

(NB Observatory is nearly always two weeks behind)

| Milk price predictions from EU commodities: INCLUDING LIKELY MARGIN FOR PROCESSOR | | |
|--------------------------------------------------------------------------------------|--------------|---------------|
| Mar | 26.42 | |
| Apr | 25.26 | ↓ -1.16 |
| Apr | 22.03 | ↓ -3.23 |
| Apr | 20.03 | ↓ -1.99 |
| Apr | 19.86 | ↓ -0.18 |
| Apr | 20.43 | ↑ 0.57 |
| May | 20.53 | ↑ 0.10 |
| May | 21.32 | ↑ 0.79 |

There's green back on the board with EU prices posting decent gains on the month, but with prices still well down on two and six months ago.

However, the AMPE price, based on the butter and SMP prices, are still below 21.5ppl. Nevertheless it has increased by nearly 1ppl since the last report and has risen for three consecutive weeks. More rises are expected.

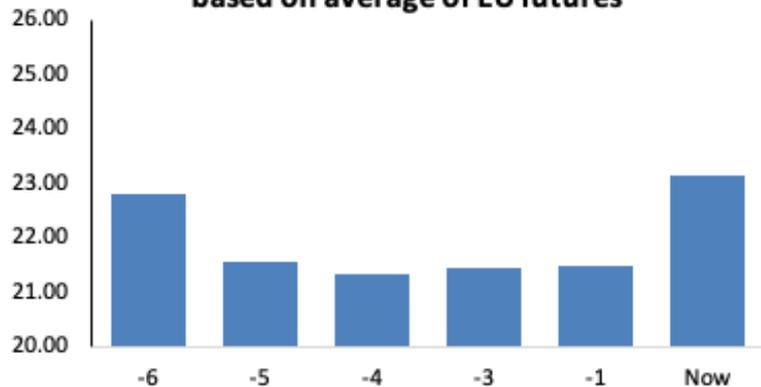
EU futures rise back over lockdown levels

The futures are bouncing back, and for butter are now over 85% of their pre-Covid lockdown levels, with October's price even above it.

SMP is over 90% of its pre-lockdown level. Six weeks ago every trader in the land would have taken those levels now, if offered.

Milk price prospects are now higher than levels immediately after lockdown - another positive sign!

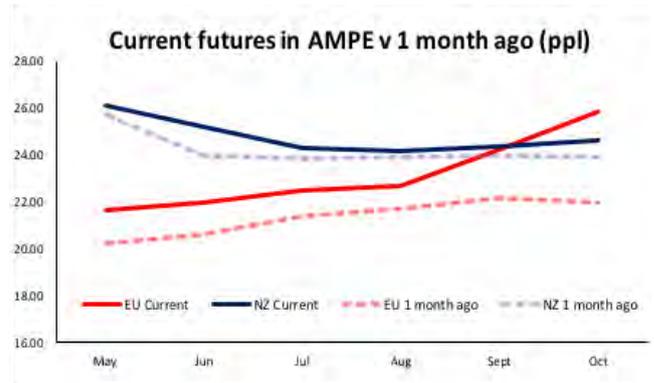
**Milk price prospect trends last 6 weeks
based on average of EU futures**



What do the futures markets say?

EU futures for the next six months, when converted into AMPE, range from a low of 21.68p to a high of 25.85p with the average selling at 23.16p, when 2ppl has been allocated for transport but before a processor margin and futures trading costs have been accounted for.

This is a positive trend line to be welcomed, being up over 3ppl for October contracts and up nearly 2ppl for September ones.



What does the GDT say?

The GDT Index for the first May auction was down fractionally, by just 0.8% compared to a major 4.2% drop previously. It was a good result, considering, as another major drop would have transmitted bearish sentiment across the sector at a time when spirits are lifting. However, most commodities still fell, and the colour chart, below left, tells its own story with the lack of green that represents significant positive price movements.

The commodities convert into a UK milk price equivalent before transport of around 25.53ppl at current exchange rates, down around 0.33p compared to the previous auction. The combination of GDT and the New Zealand futures also has prices for the next six months at around 25p.

GDT + NZX Futures prices in ppl

| | Current | Previous | Diff |
|------|---------|----------|---------|
| Jun | 25.54 | 26.30 | ↓ -0.76 |
| Jul | 24.80 | 26.38 | ↓ -1.58 |
| Aug | 24.88 | 26.23 | ↓ -1.35 |
| Sept | 25.73 | 26.49 | ↓ -0.76 |
| Oct | 25.40 | 26.53 | ↓ -1.13 |
| Nov | 25.25 | 26.53 | ↓ -1.28 |

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

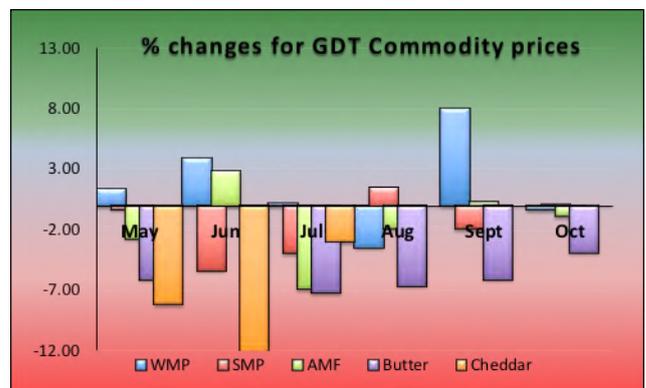
GDT - percentage change compared to last auction:

| 17th Mar | Mar | Apr | May | Jun | Jul | Aug |
|----------|-------|-------|-------|-------|-------|-------|
| WMP | -5.25 | -4.00 | -6.03 | -6.25 | -3.67 | -4.26 |
| SMP | -8.01 | 7.13 | -8.10 | -7.57 | -9.54 | -7.06 |
| AMF | 0.67 | 8.47 | 1.00 | -0.87 | -1.71 | -0.18 |
| Butter | 0.31 | 4.37 | 0.73 | -0.75 | -0.12 | -0.85 |
| Cheddar | 2.64 | 5.02 | 2.93 | 3.55 | -1.03 | 0.00 |

| 7th Apr | Apr | May | Jun | Jul | Aug | Sept |
|---------|-------|-------|-------|-------|-------|-------|
| WMP | 0.82 | 0.46 | 1.56 | 1.72 | -3.04 | 2.38 |
| SMP | -0.51 | -3.71 | -1.64 | -0.12 | 2.17 | -1.96 |
| AMF | 0.32 | -5.23 | 0.68 | 2.24 | -0.52 | -0.02 |
| Butter | 2.87 | 0.00 | 4.00 | 5.51 | 3.88 | 5.04 |
| Cheddar | -0.07 | 0.00 | 0.23 | 0.46 | 0.00 | 0.00 |

| 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 | 0.00 | 0.00 | 0.00 |



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.