The Dairy market at a glance- Report n. 3 *(July 2010)*

*** Milk production trend of the main dairy products Exporting Countries:**

- ***Australia*** (Jul-May 09/10 vs. Jul-May 08/09) → **-4,52%.** While the production trend remains negative over the last year on a cumulative basis, since February 2010 the milk production has progressively recovered. On May 2010 the production has sharply increased of +4,85% compared with the same month of last year. Should the general conditions continue to be positive the milk production could rise in the next future.

- ***New Zealand*** → on 31st May milk production season 2009/2010 has ended with volumes slightly higher over the previous year. Next season's milk production is projected to continue to grow (nearly + 3-4%), however it is still not clear what will be the exact percentage of the increase; the recent Fonterra's announce regarding the increase of the payout forecast for the 2010/2011 season together with the favourable climatic conditions are the main reasons for increasing milk output.

- ***EU27*** (Jan - May10 vs. Jan - May 09) → **-0,54%.** The negative milk production trend in EU27could continue for the rest of the year, notwithstanding the quota limit has been increased and the farm gate milk price has recently strengthened. Milk has been processed mainly in Cheese therefore Butter and Powders production has fallen off as a consequence.
Italy (Jan - Apr10 vs. Jan - Apr 09) → **+1%**

- ***US*** (Jun 10 vs. Jun 09) → **+ 2,44%.** Milk production continues to advance despite declining cow numbers on a yearly basis; it is production per cow (that has increased nearly 3%) that boosts overall output.

- ***Ukraine*** (Jun 10 vs. Jun 09) → **-4,1%.** According to some surveys the negative trend is due to the slowdown in demand and difficulties in exporting. The reason could be the non achievement of quality standards of processed products.

- ***Argentina*** (Jan – May 2010 vs. Jan – May 2009) → **-8,36% (p).**

- ***Brasil*** (Jan – Mar 2010 vs. Gen – Mar 2009) → **+5,7% (p)**

*** Milk production trend of the main dairy products Importing Countries:**
- ***Russia*** (Jan – Apr 2010 vs 2009) → + 0,7% (e).
- ***Messico*** (Jan – May 2010 vs. 2009) → - 0,3% (e).
- ***Giappone*** (Jan – Apr 2010 vs 2009) → - 1,6% (e).
- ***Cina*** → estimates for 2010 indicate an increase.

***Prices (€) and stock** (Ton) (May-July 2010)*

SMP **Oceania** → since January '10 prices have been fluctuating even if the average is higher compared to last year (+ 75%, July '10 vs. '09); from May to July prices have slightly reduced (- 6,50%). SMP storage in EU cause uncertainty in international markets;
EU-27 (D) → prices are strong compared to last year (+ 43% July '10 vs. '09) . Since May '10 prices have slightly decreased (-7,18%) as a probable consequence of high level of SMP available on intervention stock; during last auction, prices proposed by the Traders were lower than current markets values, causing uncertainty on weekly pricing on the different market places;
US → prices have strengthened over the previous year (+ 68% July '10 vs. '09); from May '10 prices are firm (+0,60%) due to the production growth and the strengthening of the dollar;

WMP **Oceania** → prices have increased over the past year (+ 95% July '10 vs. '09) mainly due to the steady demand from China; however on July '10 prices have slightly reduced (-8,23%) waiting to see the development of new campaign;
UE-27 (D) → prices have strengthened over the previous year (+ 51% July '10 vs. '09); after May '10 prices are generally firm and range higher (+2%).

Butter **Oceania** → prices have increased over the past year (+ 134% July '10 vs. '09) as a probable consequence of limited supply and prices are steady on a high range (+ 3,3%);
UE-27 (D) → prices are strong over the previous year (+ 60% July '10 vs. '09); after May '10 prices have risen steadily (+3,5%); European auctions have not negatively affected the market due to Traders offering prices in line with the current market;
USA → prices have strengthened over the previous year (+ 59 % July '10 vs. '09). After May'10 prices are further increasing (+14,80%) due to the reduced production;

Cheese **Oceania** → **Cheddar**: prices are strong and generally firm (+1,96%). They sharply increased compared to the previous year (+ 64% July '10 vs. '09).
UE-27 (D) → **Edamer** prices have strengthened over the previous year (+ 41% July '10 vs. '09) and are keeping on up (+8,20%);
USA → **Cheese:** prices have increased over the past year (+ 43% july'10 vs. '09); after May '10 prices are further rising (+6,7%).

Exports
The total dairy product exports *(tons)* of the main exporting countries (such as Argentina, Australia, New Zealand, United States, Ukraine, EU-27, Switzerland) as calculated on **Jan – April 2010** are summarised here below:

GLOBAL WORLD	SMP	WMP	WHEY	BUTTER	CHEESE
Tons	384.453	539.638	311.140	226.039	452.322
% on 2009 *	+13,21%	+6,92%	+14,78%	-5,49%	+11,48%
% on 2008 *	+13,43%	+18,38%	+15,89%	-0,41%	+4,88%

The trend is generally positive in all the dairy products considered, except in Butter where the reason of a slight decrease has to be found in a reduced production rather than a decrease in demand. As a matter of fact milk has been diverted to Cheese and Whole Milk Powder (WMP) taking away fats from the market.

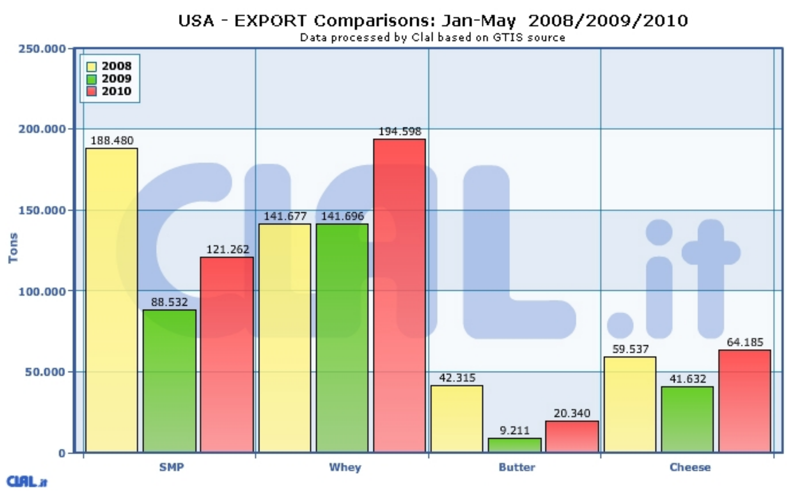
EU27 – Jan - May 2010: External EU exports

« 2009 monthly data		MONTHLY DAIRY PRODUCT EXPORT** - 2010 (Tons)														
Product	HS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2010	± on 2009 *	± on 2008 *
SMP	040210	31.838	32.912	28.287	26.578	25.701								145.317	+84,93%	+79,33%
WMP	040221	39.583	38.316	35.471	31.892	41.037								186.298	-6,29%	-6,26%
Whey	0404	30.980	28.293	36.733	37.912	33.338								167.255	+0,66%	+5,92%
Butter	0405	12.753	12.196	13.467	12.565	13.366								64.346	+5,79%	+6,22%
Cheese	0406	43.265	46.822	57.160	55.023	56.732								259.003	+21,44%	+16,18%

External EU export trend is generally going well; EU27 and US *(see below)* have generally replaced Oceania as suppliers of some markets *(i.e. SMP markets of Indonesia, Philippines, Malaysia, Saudi Arabia….)* ; Oceania faced a reduction of the milk production during the season 2009 – 2010.
Russia's import is on the upswing and the major suppliers are Germany and Ukraine for Cheese and Ukraine and France for SMP and WMP.

Note: for many years EU production and external export of WMP have been limited due to the CMO (Common Market Organization) market policies supported the processing in Skimmed Milk Powder (SMP) and Butter, through minimum intervention prices.

A special focus on US Exports: (January – May 2010)
Given the milk production increase the US has come back as a significant Player to the international market and in some cases it has replaced the Oceania region as supplier of some Far East Countries, traditionally Countries used to import from Oceania.



To obtain further information on this topic visit the section Dairy World Trade on Clal.it .

Italy

Italian cheese Export on 30th April 2010→ +13,42 % in volume, -0,49% in value
The Grana cheese export had positive performance both in volume (+12,03) and value (+7,77);
Fresh cheeses export had also a sharp positive result (+20,4% inclusive of Mozzarella and Ricotta; + 22% inclusive of Mascarpone) in comparison with limited returns *(source ISTAT),*
Cheese Import on 30th April 2010 → + 6,28% in volume, +1,12% in value
MAASDAMER cheese: + 10,06% in volume;
packed milk (partly skimmed and whole): + 32,4%; bulk milk in tank (Whole and Skimmed) - 8,19% *(source ISTAT)*.
Parmigiano Reggiano production and prices: production is going up +2,6% (Jan - May 10 vs. Jan - May 09) as a probable consequence of increase in wholesale prices; on May '10 vs. May '09 the rise was +5,4%. Parmigiano Reggiano 12 months price has strongly recovered over the previous year → the average price obtained by gathering prices from the different national market places on July: Euro 8,84, while on the two first weeks of July the price is around Euro 8,94 *(source: ISMEA survey network)* .
Grana Padano production and prices: production is increasing + 0,3% (Jan - Jun 10 vs. Jan - Jun 09); on June '10 the growth has been +2,1% → Grana Padano 10 months price has strongly recovered over the previous year → the average price obtained by gathering prices from the different national market places on July: Euro 6,51, while on the two first weeks of July the price is around Euro 6,57 *(source: ISMEA survey network)*.
Domestic Consumption as of on 30th April 2010:
Changes referring to the same period of previous year are the following: Grana Padano + 3,4%; Parmigiano Reggiano – 2,9%; Fluid Milk +0,6%; Butter -0,7%; Yogurt +2,2%; Asiago + 8,6%; Mozzarella -0,2% *(source ISMEA)*
Given the sharp slowdown on consumptions, in the foodstuff sector as well, the sector shows a good performance. Parmigiano Reggiano purchases are still dropping.

- Commodity prices are still holding up, notwithstanding the slowdown over the last months. Projections for 2010-2011 season indicate a probable milk production increase in some region worldwide, in particular in Oceania.
Should increase dairy product supply, the price volatility could become more frequent in some seasonal periods.
According to some economic sources dairy product prices should keep on up in the next months

- Given a well balanced relation among Production – Export – Consumption, the Grana Padano cheese prices have regained ground.

Abbreviations:
SMP: Skimmed Milk Powder
WMP: Whole Milk Powder
D: Germany
(p): provisional
(e): estimate

The Report is based on Clal.it and Ismea database