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European Wire

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Global Spot Snapshot*						
Product	US		NZ		EU	
	Value	% Chg	Value	% chg	Value	% chg
Cheese	€ 2,874	-1.94%	€ 2,994	-0.64%	€ 3,050	0.00%
Whey	€ 1,071	-0.64%	€ 904	-0.38%	€ 737	0.00%
NFDM/Skim	€ 1,656	-1.20%	€ 1,711	-0.64%	€ 1,563	-2.50%
Butter	€ 4,316	-1.72%	€ 3,467	-0.64%	€ 4,867	-3.78%
WMP	€ 2,923	3.47%	€ 2,377	-0.64%	€ 2,650	-1.85%
Cheese Milk	€ 0.31	-1.91%	€ 0.31	-0.59%	€ 0.34	-0.13%
SMP/Butter Milk	€ 0.29	-1.62%	€ 0.26	-0.64%	€ 0.31	-3.63%
WMP Milk	€ 0.40	2.32%	€ 0.32	-1.27%	€ 0.43	-2.07%
FX EUR to USD (spot)	1.1582		Note: any change in NZ pricing is due to FX as no GDT this week			

Global Spot Snapshot Legend			
Product	US	NZ	EU
Cheese	CME Spot block-barrel ave	GDT Ave	Trigona Report
Whey	CME spot	US-EU Ave	EEX Index
NFDM/Skim	CME spot	GDT Ave	EEX Index
Butter	CME spot	GDT Ave	EEX Index
WMP	CNIL US WMP report	GDT Ave	Dutch Quotation

SMP

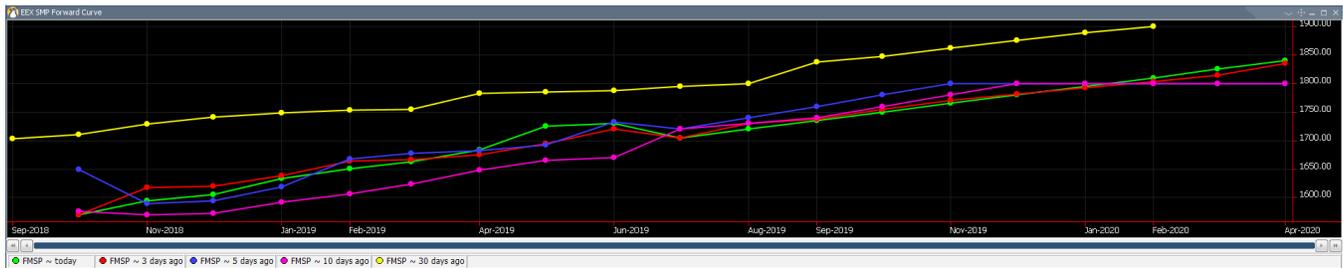
The index came in lower for the 5th week and posted the first sub 16 print since mid-August (1,563/MT). The fall was driven by both the French and German prints coming more inline (though still at a premium) to the Dutch.

There were pockets of trade over the course of the week, with Q4 seeing the most action. Pricing ranged from EUR 1,570 to EUR 1,590 depending on the month and is very much in line with the cost of carry versus the Index. While the pricing remained at similar levels to the week prior, there is more bidding interest up front (Q4) than in prior weeks, and in contrast, Q1 offers are getting sharper. Unchanged, however, is the reluctance (on both sides) to go further than Q2 – which itself holds limited interest.

SMC continued to slide further, with pricing now closer to 1,450/MT versus 1,550/MT where we ended the week prior. Again, there is little here to interest those with excess drying capacity, but it is of note that the correction towards parity continues.

Next week sees the second Tender of the month, and talking to our contacts, at present expectations are towards a similar outcome to the prior week's result – pricing is expected to remain around the EUR 1,200-1,230/MT mark, and volume is anticipated to be between 2,000-4,000MT.

Finally, the recently launched EEX Liquid Milk futures contract settled today with open interest for the first time. The October 2018 contract will settle at EUR 34.70/100 kilograms, with 5 lots of open interest at expiry. The contract last traded on September 20th when a total of 5 lots traded, all at EUR 35.00/100 kilograms.



BUTTER

The market took pause this week and traded in line with where we closed out the week prior. The Index continued its downward trend but still remains at a clear premium to futures and the traded spot market.

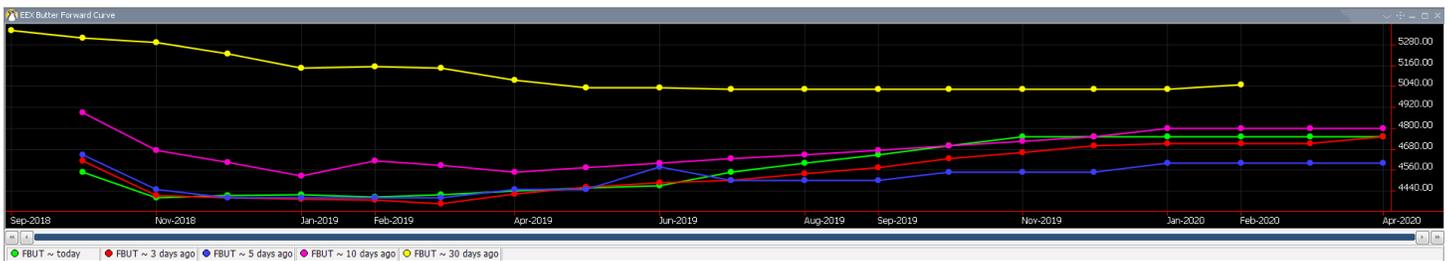
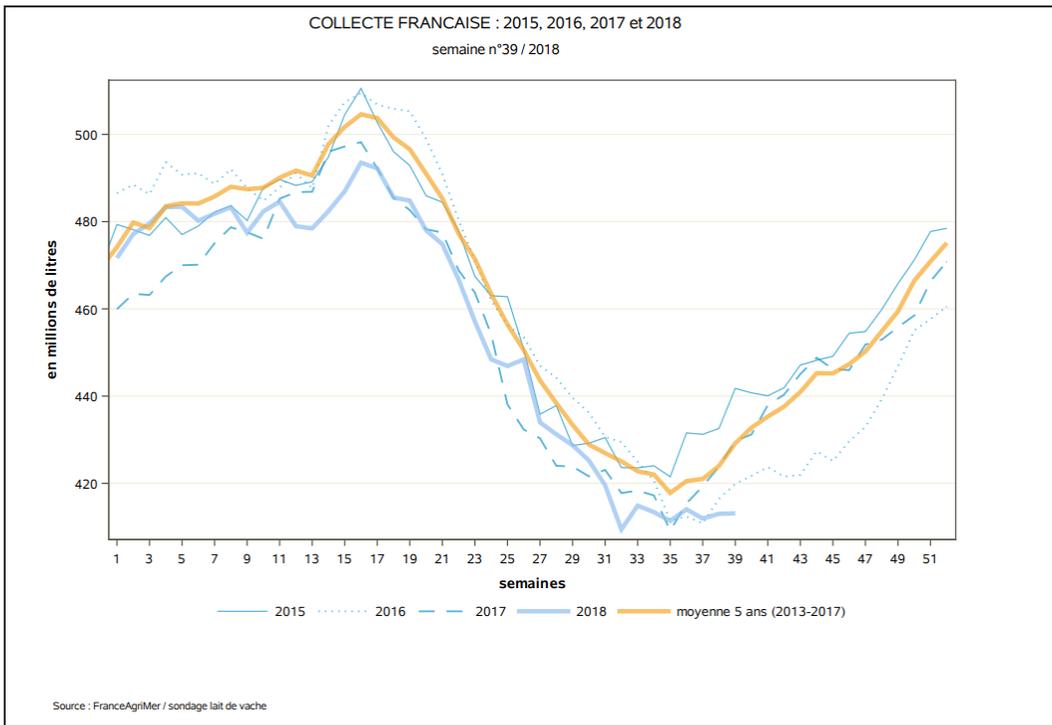
Both Q1 and Q2 saw trade at the EUR 4,410/MT level on Thursday, while stronger demand during Friday's session saw Q1 trade slightly higher at 4,425 and Q2 was up to 4,480/MT.

French milk production data released this week saw a 3.9% fall in production versus the same week last year. Typically, this is the time where we would see strong week-on-week growth from the French, but rather the data came in sideways. Speaking to contacts they note that German and Dutch butter stocks remain "plentiful", and that while this may be one

BUTTER

factor supporting the market this week, it'll be Tuesday's GDT that will set the tone for next week. We're more inclined to see the current plateau holding but are conscious that one data point doesn't make a trend.

Cream continues to trade lower, with pricing down roughly EUR 500/MT to 5,300/MT. This puts cream still firm above butter, but as with SMC, a correction is taking place.



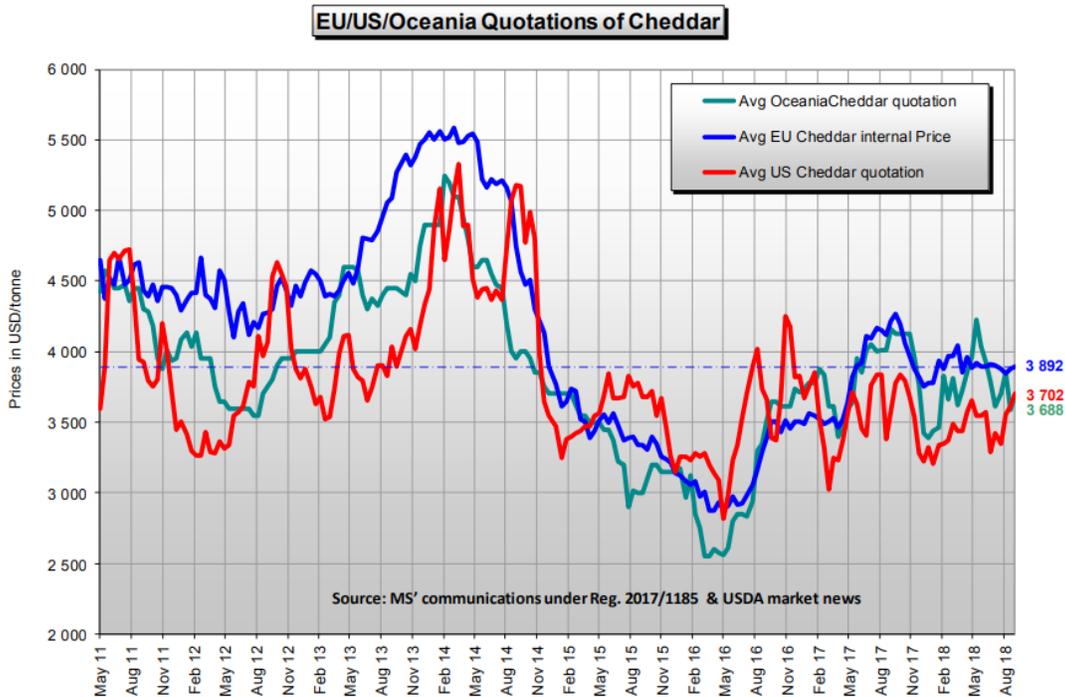
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CHEESE

The range on cheddar remains between 3,000 and 3,100/MT this week, but we continue to hear of more and more deals down at the lower end of the band and fewer and fewer at the top end. Our contacts have noted that demand has improved, and this indeed has provided support at the lower end of the band, but that there is still a way to go before we can consider demand “healthy”.

EU cheddar continues to hold a premium of exports rivals, continuing to limit opportunities to move product outside the Union, and this will likely continue to weigh on pricing in the coming week.

Gouda remains under pressure and is down roughly EUR 50/MT to 2,900/MT with some talking about securing product at even lower levels. Mozzarella has finally started to feel the pressure too, and like Gouda, came off about EUR 50/MT to 3,100-3,200/MT this week. Capacity remains plentiful and, given the now EUR 3 cent premium to SMP/Butter, we expect that any unallocated milk will continue to flow into cheese.W



Source: Milk Market Observatory