

INGREDIENT DIGEST

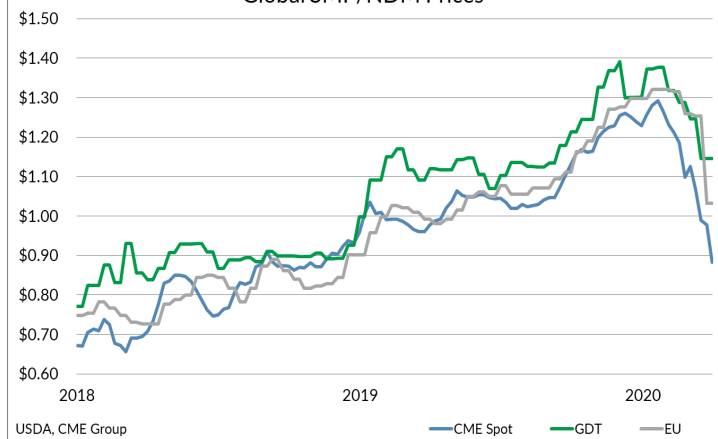
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- The COVID-19 pandemic is upending dairy markets around the world. Demand is quickly eroding as food service operations temporarily close, sending butter and cheese prices (and milk prices) dramatically lower. Now skim and whey markets are feeling the knock-on effects.
- Milk powder prices have plummeted from multi-year highs. US NDM supplies are rapidly mounting as milk displaced by shifting demand dynamics piles atop seasonally increasing farm output. Similar forces are at play within the EU.
- Through it all, the whey complex has held together. Global trade is propping up dry whey as well as permeate and lactose. WPC and WPI are cooling off after a strong start to the year.

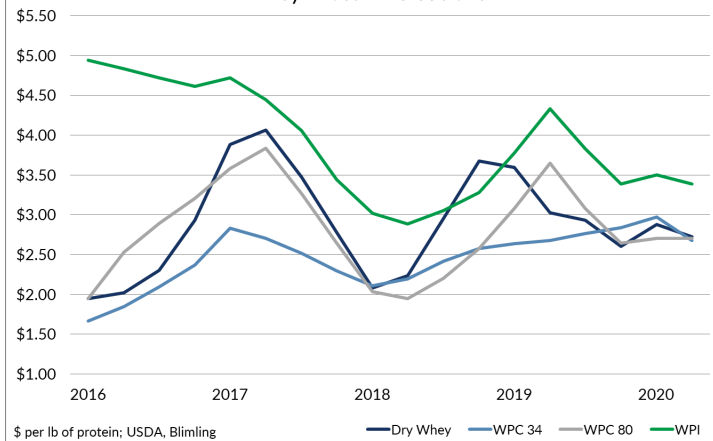
Blimling Forecast Summary (\$ per lb)

	NZ	US					
Period	WMP	NDM	Acid Casein	WPC 80	WPC 34	Dry Whey	Lactose
1H 2020	\$1.30	\$1.03	\$3.83	\$2.15	\$0.96	\$0.36	\$0.31
2H 2020	\$1.28	\$0.88	\$3.53	\$2.13	\$0.83	\$0.36	\$0.32
1H 2021	\$1.31	\$1.04	\$3.58	\$2.30	\$0.91	\$0.37	\$0.31
2H 2021	\$1.36	\$1.13	\$3.83	\$2.43	\$0.96	\$0.38	\$0.32

Global SMP/NDM Prices

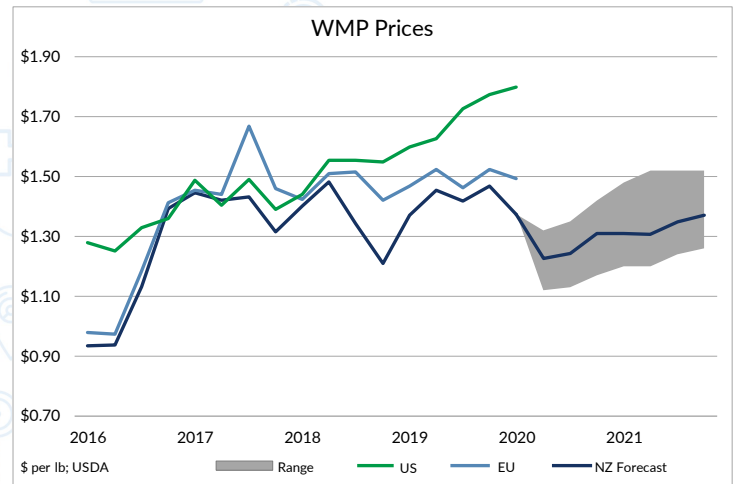
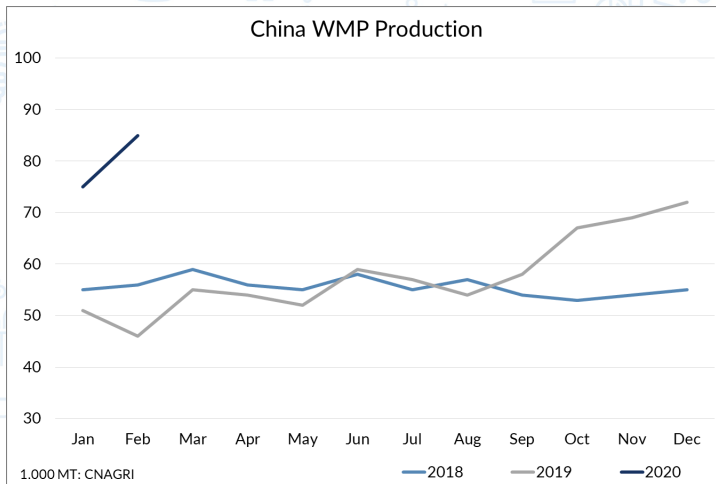


Whey Protein Valuations



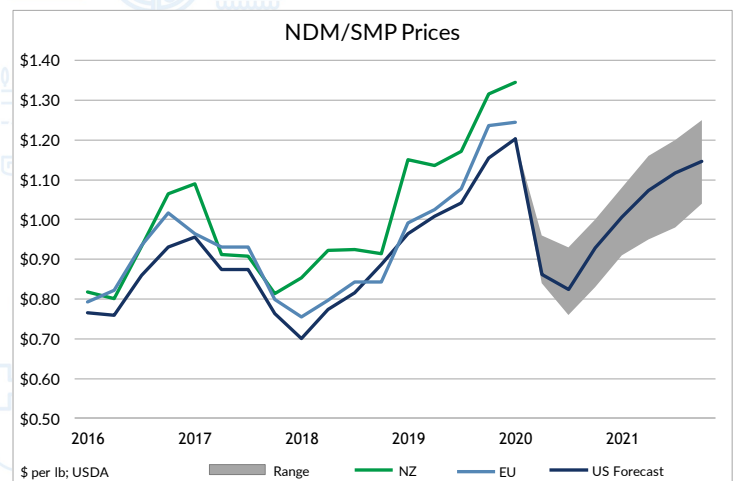
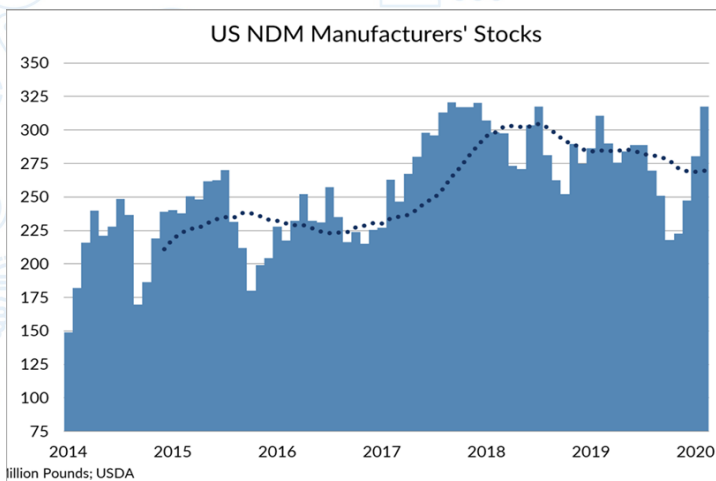
WHOLE MILK POWDER

- GDT WMP prices appear to be finding support after shedding 20-cents over past two months. Reports point to some demand recovery out of Asia, but heavy stock building in China may curb overall needs. Plus, participants still voice concerns about Middle East demand with crude oil hovering near \$30.
- Despite demand growth concerns, seasonally lower milk output in Oceania should cap WMP output and limit any surplus. Even still, expect prices to remain weak in the coming months.



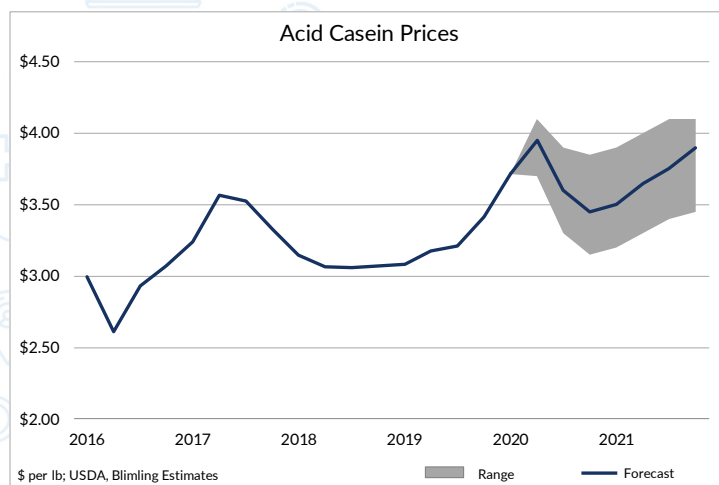
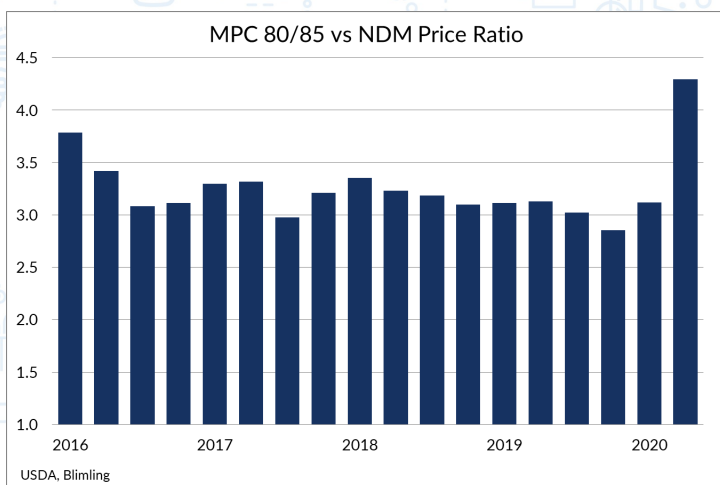
SKIM MILK POWDER

- Global SMP prices continue to drift lower. Since late January, US prices declined by 30%, EU 20%, and New Zealand GDT 17%.
- We expect further downward pressure. The US and EU must contend with seasonally higher farm output and dislocated milk from cheese plants. That should keep dryers full over the next few months. Soft demand out of Mexico – in part due to COVID-19 safety measures at the border and currency weakness – is further complicating matters for the US market.



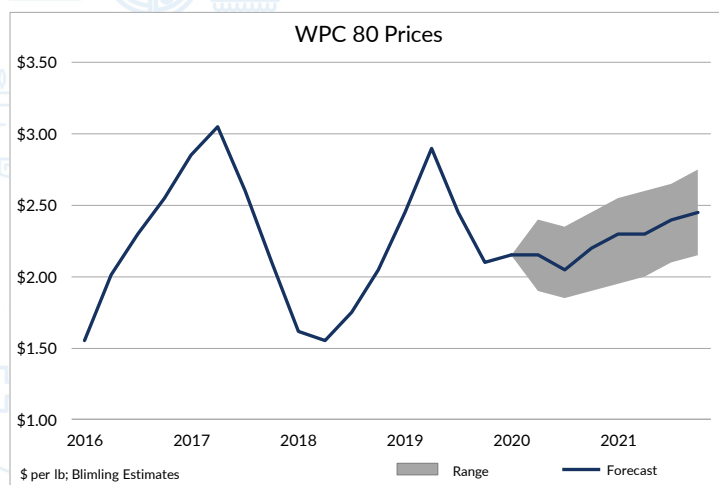
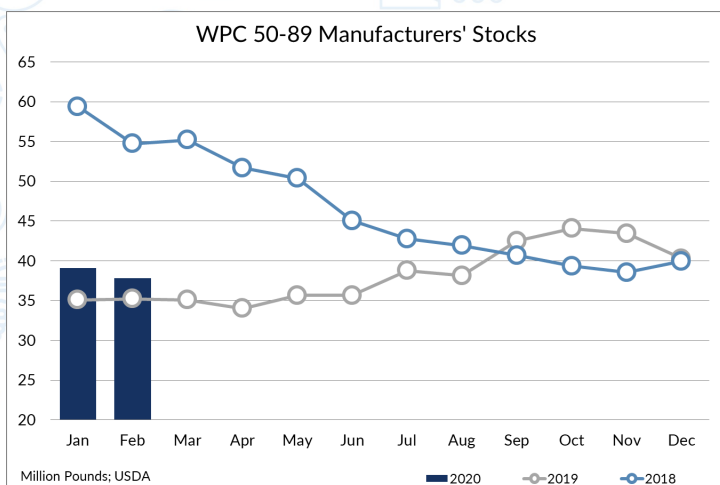
MILK PROTEINS

- MPC markets are holding firm despite NDM/SMP weakness. Surging retail demand for ready-to-drink beverages is providing support for higher end MPCs. As retail growth settles, MPC prices should trend more in line with historical NDM ratios. Contacts note supply is generally available.
- Acid casein prices are trending higher, aided by a strong caseinate market. Good demand for retail beverages and coffee creamers is providing demand-side support. Supplies appear limited due in part to dry conditions in New Zealand during first few months of the year.



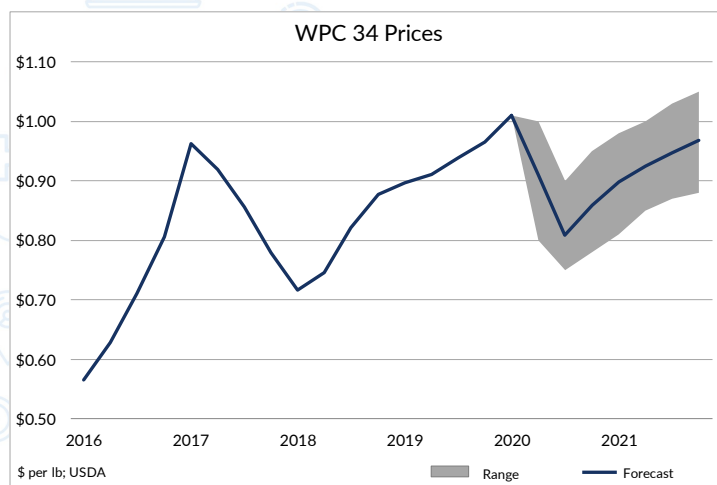
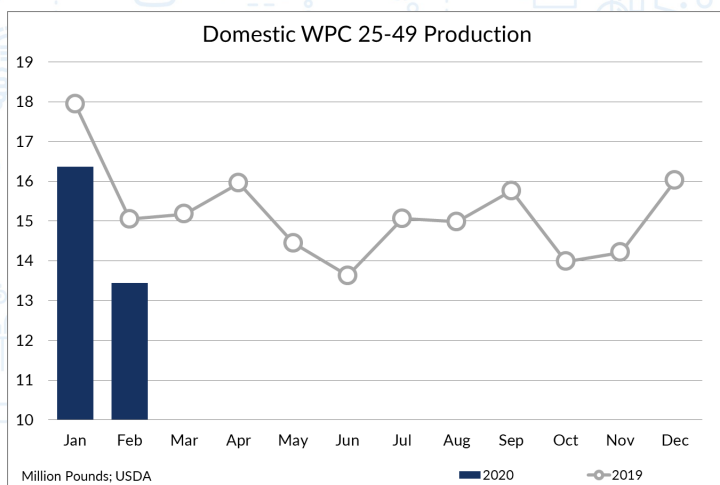
HIGH PROTEIN WHEY

- After a brief uptick to start the year, WPC 80 and WPI markets are showing signs of weakness. Demand is easing with fitness centers and some retail outlets closed throughout the country.
- Domestic high protein prices are positioned to recover later in the year. Cheese plants are scaling back output due to food service closures, concurrently slowing raw whey production. Meanwhile, sports nutrition demand should spring to life as social distancing measures ease and gyms start to re-open.



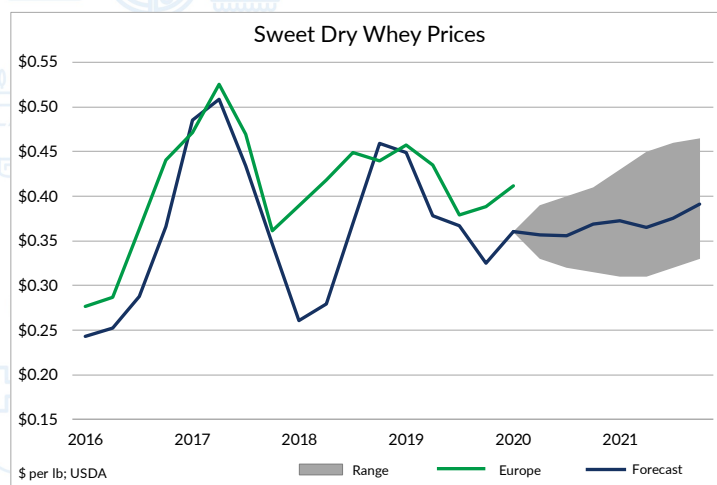
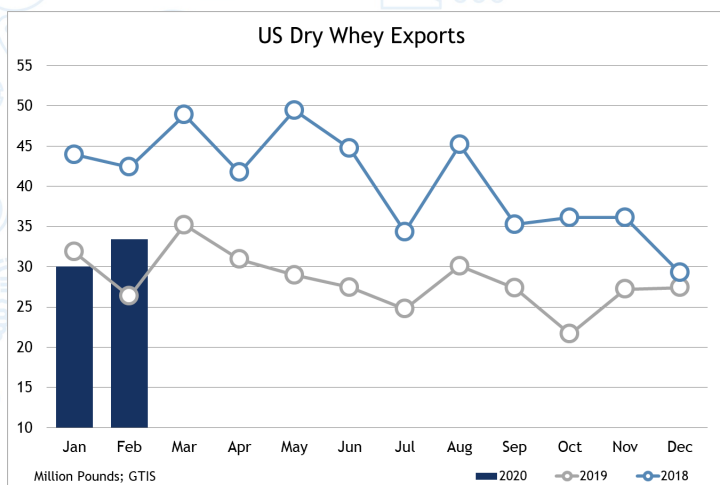
WPC 34

- The dual nature of the WPC 34 market is on full display these days. Sinking NDM prices are weighing heavily on commodity WPC that is easily substitutable with skim solids. Meanwhile, strong infant formula sales are helping support more stringent infant-grade WPC. And, reports of sizable global infant formula donations are driving increased replenishment needs.
- Supplies appear ample for the category. Although US production was down 10% through February, stocks are at the highest levels since February 2019.



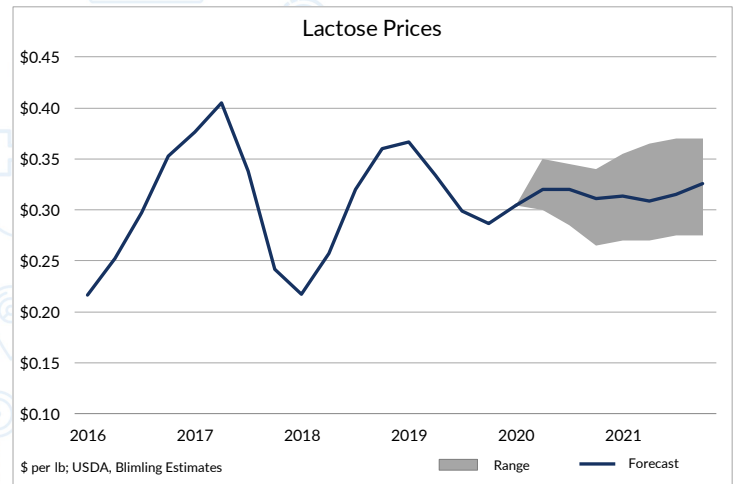
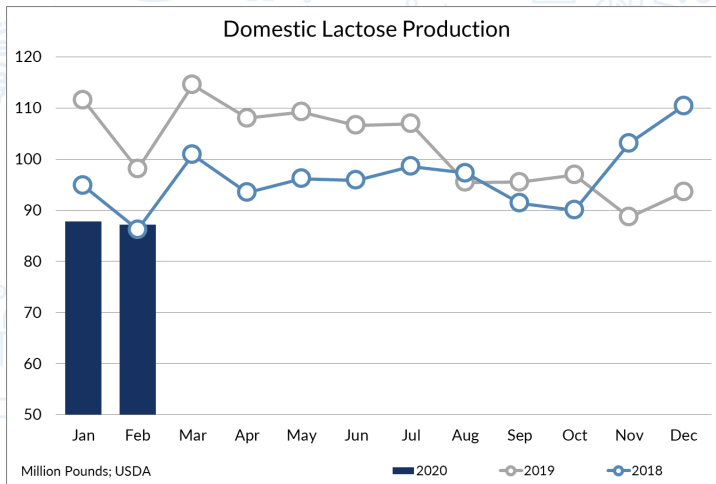
DRY WHEY

- The US dry whey market has thus far dodged the COVID-19 bullet. US exports remain fairly strong. Shipments to China continue to lag, but exports are picking up momentum into Indonesia and Malaysia. Whey is also presumably getting a boost from US retail where it touches products like boxed dinners, frozen entries and desserts.
- Contacts indicate dry whey supplies have tightened up in recent weeks. However, slippage in WPC markets and an overweight NDM market should weigh on prices the next couple months.



DAIRY CARBOHYDRATES

- Permeate markets are firm, fueled by sustained global demand for pig feed. ASF remains a powerful market force, with new cases still popping up throughout Asia and limiting pig re-population efforts. As dry whey softens, permeate prices may loosen up some as well.
- Lactose supplies have tightened in recent months, lending a degree of support to a market that had barely budged for much of 2019. February year-to-date US output fell off 10% year-over-year, but at the same time exports jumped 16% due to growth in Japan and New Zealand.



MASTER FORECAST

Blimling Detailed Price Forecast (\$ per lb)							
	NZ	US					
Period	WMP	NDM	Acid Casein	WPC 80	WPC 34	Dry Whey	Lactose
2017	\$1.40	\$0.87	\$3.41	\$2.65	\$0.88	\$0.44	\$0.34
2018	\$1.36	\$0.79	\$3.09	\$1.74	\$0.79	\$0.34	\$0.29
2019	\$1.43	\$1.04	\$3.22	\$2.13	\$0.93	\$0.38	\$0.32
Q1 2020	\$1.37	\$1.20	\$3.71	\$2.15	\$1.01	\$0.36	\$0.30
Q2 2020	\$1.23	\$0.86	\$3.95	\$2.15	\$0.91	\$0.36	\$0.32
Q3 2020	\$1.24	\$0.82	\$3.60	\$2.05	\$0.81	\$0.36	\$0.32
Q4 2020	\$1.31	\$0.93	\$3.45	\$2.20	\$0.86	\$0.37	\$0.31
Q1 2021	\$1.31	\$1.01	\$3.50	\$2.30	\$0.90	\$0.37	\$0.31
Q2 2021	\$1.31	\$1.07	\$3.65	\$2.30	\$0.93	\$0.37	\$0.31
Q3 2021	\$1.35	\$1.12	\$3.75	\$2.40	\$0.95	\$0.38	\$0.31
Q4 2021	\$1.37	\$1.15	\$3.90	\$2.45	\$0.97	\$0.39	\$0.33