

DYKUN

Milk prices monitoring
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ASSOCIATION OF DAIRY PRODUCERS

ANALYTICAL DEPARTMENT OF MILKUA.INFO

Prices for milk in the first decade of June were characterized by stability. Most contracts did not change their price range. Only some of them pulled up to the prices, which were set two weeks ago. There were some that saw a decrease, but now these are isolated cases in the front zone.

Prices for Extra grade milk as of June 7 stopped at the level of 10.53 UAH/kg excluding VAT, which corresponds to the price fixed two weeks before. At the same time, prices ranged from 9.80 to 11.15 UAH.

Higher grade averaged 9.97 UAH/kg (+1 kopeck before the preliminary survey), and Grade I - 9.89 UAH/kg.

The weighted average price of the three varieties also remained unchanged - 10.13 UAH/kg (excluding VAT).

This stabilization of prices was due to the pressure of surplus dairy products in storage, piled up since the beginning of the war and continuing to accumulate due to the high milk season. At the same time, there is no significant activation of exports, which could support the price. All market operators are trying to keep the price down so as not to push the farms to a reduction in the dairy herd, which will be difficult to restore after the victory. However, if the situation with exports does not improve, in a few months we can observe an intensification of the downward trend of cow retention.

Infagro estimates that the 2022 forecast for dairy exports under the pressure of disrupted logistics as a result of military action and the blockade of the country's seaports is rather disappointing. Experts forecast sales to foreign markets:

- butter at 7 ths. tons (10 ths. tons in 2021),
- whey - 14 ths. tons (20 ths. tons in 2021).

The situation with the export of cheese and cheese products is even worse, because the main importers (Kazakhstan, Uzbekistan) are practically blocked. Logistics through a number of countries increases considerably the cost of Ukrainian products and becomes uncompetitive. Growth in export volumes is possible only for skimmed milk powder and casein, but only in case of real exports to the EU. So far, exports through Polish ports with reloading to containers in Poland is still not worked out, although this issue is constantly discussed at the level of states and companies.

The world dairy market condition is also rather unstable. FAO Dairy Price Index decreased by 3.5% in May compared to the previous month. Milk powder prices fell the most due to market uncertainty resulting from a prolonged quarantine due to COVID-19 in China, while strong retail sales and strong demand from restaurants in the Northern Hemisphere prevented cheese prices from falling significantly, despite weakened global import demand. Butter prices also declined because of weaker import demand amid improved export supplies.

At the same time, the GDT Dairy Price Index rose 1.5% held on June 7. Butter cost \$6,068/t (+5.6%), SMP - \$4,240 (+3%), Cheddar - \$5,365 (-3.6%), WMP - \$4,158 (-0.3%).