

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered October 16 - 27, 2023

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN OVERVIEW *UPDATED*****

Western European milk intakes are slowing as parts of the continent approach the low point in the milk production season. Germany and some other northern European countries typically reach their seasonal low milk output levels in November. As milk intake volumes have receded, milk pay prices, which have largely fallen steadily since last December, have slowed their descent. The provisional average milk pay price for September in the EU-27 is 43.54 euros per 100kg, compared to 58.25 euros per 100 kg in December 2022. Although milk pay prices have fallen, spot milk prices have rebounded slightly over the last few months, suggesting a need for milk to make up for lower-than-expected milk harvests in some regions. According to CLAL data made available to USDA, Italian spot milk prices quoted to CCIAA Milan for the week of October 23 are 55.16 to 56.71 €/100 L *** for Italian-sourced unpasteurized milk and 50.52 to 53.10 €/100 L *** for whole pasteurized spot milk sourced from neighboring countries. *** Update to price units for spot milk prices***

German dairy contacts say feed costs should not be a major issue this winter for many farmers. There are good supplies of hay and late summer rains helped refresh pastures. Feed supplies may be tighter in some of the southern countries that experienced heat and drought through the summer months. Regardless, industry contacts suggest input costs are lower than they were a year ago. However, they do not expect a run up of milk supply to the end of the year because of lower milk pay prices.

According to CLAL data made available to USDA, year-to-date EU cows' milk delivered to dairies through August 2023 is estimated at 99,413,000 MT, an increase of 0.7 percent when compared to January-August 2022 EU milk production. August 2023 EU cows' milk delivered to dairies is estimated at 12,128,000 MT, unchanged compared to last year. Among some of the top Western EU milk producers, the year-to-date milk deliveries and percentage changes from January-August 2022 are Germany, 22,103,000 MT, +2.4 percent; France, 16,041,000 MT, -2.3 percent; and Netherlands, 9,474,000 MT, +2.6 percent. In the United Kingdom, the provisional August 2023 cows' milk delivered to dairies was 1,228,000 MT, up 0.7 percent from August 2022. Year-to-date cows' milk deliveries in the UK for January-August 2023, 10,468,000 MT, was 0.8 percent more than total milk deliveries in January-August 2022.

EASTERN EUROPE *UPDATED*****

EASTERN EUROPEAN OVERVIEW: Milk production in Eastern Europe is trailing off as the seasons change. And like their western counterparts, eastern European farmers have seen milk pay prices steadily decline throughout the year. August milk pay prices in Poland, the Czech Republic, and Hungary are 41.70 €/100 kg, 40.44 €/100 L***, and 38.55 €/100 kg respectively, according to CLAL data made available to USDA. That said, Poland and the Czech Republic, two of the larger milk suppliers in Eastern Europe, have consistently produced more milk in each month of 2023 compared to 2022. *** Update to Czech Republic milk pay price units***

The EU is eager to see what changes may come because of the general elections in Poland last week. Some analysts suggest the new government may take a more centrist view on issues in Europe. Specifically, the EU and Poland representatives may be expected to address the disagreement over the import ban on grain from Ukraine and work on other trade issues with Ukrainian agricultural products.

BUTTER/BUTTEROIL

European butter prices continue to trend higher amid firm consumer demand. Industry contacts say demand for packaged butter is robust, and there is an expectation it will remain active for at least the next few weeks. Inventories of both packaged and bulk butter are getting tighter. As cream prices have risen, butter makers are directing most of their production toward packaged butter lines, as opposed to bulk butter production, to fill the brisk consumer demand. Bulk butter buyers are better covered with their immediate needs. Prices for European butteroil are steady to higher.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range—\$/MT: 4,900 - 5,300

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 5,725 - 6,175

SKIM MILK POWDER

European skim milk powder (SMP) prices moved higher. Manufacturers are reporting more buyer interest as end users seek out coverage for near-term and longer-term SMP needs. Inventories are adequate to fill the now increasing demand, but production has slowed due to tight milk supplies and strong pulls on that milk from cheese and fresh dairy products. As a result, some manufacturers are cautious in letting stocks go. They want to make sure they have the SMP on hand to fill their contracted obligations. And with the uncertainties about future milk supplies and energy costs, processors are looking for firmer SMP prices to cover any variances of production costs.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,650 - 2,875

WHEY

European dry whey prices are firming slightly. Industry sources suggest that whey supplies have tightened recently. In addition, as demand and prices have moved higher for some whey derivatives, manufacturers are making a little less whey powder. Dry whey demand, while lukewarm, is enough to keep a delicate balance between supply and demand. Some sources say an increase in buyer interest for feed whey has helped support the bottom end of the price series.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 775 - 975

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WHOLE MILK POWDER

European whole milk powder (WMP) prices moved slightly higher. Demand is steady, but with European WMP prices above many of the other global suppliers' prices, international sales have been slow to develop. Much of the business is for contracted volumes within the European market. Inventories have diminished somewhat. Manufacturers are readily making WMP for contracted obligations but not much extra. Market observers are wary of the rise in prices, suggesting demand is still a bit subdued compared to supplies. And although buyer interest has been slow to ignite, given the tighter supplies and price increases on the GDT, manufacturers see no reason to lower WMP prices to finalize near-term sales.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder

Price Range - 26% Butterfat; \$/MT: 3,625 - 3,825

SMP exports from the EU27 January-August 2023, 564,000 MT, increased 21.3 percent from January-August 2022 according to CLAL data made available to USDA. Main destinations January-August 2023, quantity, and percent change from January-August 2022 are Algeria, 112,602 MT, +81.11 percent; China, 60,206 MT, +2.22 percent; and Egypt, 32,776 MT, +16.32 percent.

Whey exports from the EU27 January-August 2023, 525,000 MT, increased 1.0 percent from January-August 2022 according to CLAL data made available to USDA. Main destinations from January-August 2023, the quantity, and percent change from January-August 2022 are China, 136,680 MT, +3.93 percent; Indonesia, 53,252 MT, -4.51 percent; and Malaysia, 44,418 MT, -3.11 percent.

Secondary Sourced Information:

Butter Production

According to CLAL data made available to USDA, EU August butter production is 172,740 MT, an increase of 4.4 percent from August 2022. EU butter production during January-August 2023 is estimated at 1,441,000 MT, an increase of 2.3 percent from January-August 2022. Among some of the top butter producers, January-August 2023 butter production and the percentage change compared with January-August 2022 are Germany, 331,955 MT, +4.2 percent; France, 277,760 MT, +0.7 percent; and Ireland, 201,860 MT, +5.5 percent.

SMP Production

According to CLAL data made available to USDA, EU August SMP production is estimated at 94,636 MT, a decrease of 1.7 percent from August 2022. EU SMP production January-August 2023 is estimated at 891,000 MT, down 1.3 percent from January-August 2022. Among some of the leading European SMP producing countries, the January-August 2023 quantity and percentage change compared with January-August 2022 are Germany, 252,790 MT, +6.9 percent; France, 246,900 MT, -5.4 percent; and Belgium, 132,090 MT, -0.6 percent.

WMP Production

According to CLAL data made available to USDA, EU August WMP production is estimated at 56,848 MT, an increase of 5.2 percent from August 2022. EU WMP production January-August 2023 is estimated at 481,000 MT, a decrease of 2.9 percent from January-August 2022. Among some of the leading European WMP producing countries, the January-August 2023 quantity and percentage change compared with January-August 2022 are Germany, 193,780 MT, -11.7 percent; France, 74,440, -3.2 percent; and Netherlands, 61,200 MT, -3.6 percent.

Butter Exports

According to CLAL data made available to USDA, year to date through August butter and other fats exports from the EU27, 193,000 MT, are up 9.1 percent compared to January-August 2022. Main destinations January-August 2023, quantity, and percent change from last year are United Kingdom, 33,772 MT, -20.98 percent; United States, 31,666 MT, +9.96 percent; and Saudi Arabia, 13,912 MT, +48.12 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

NEW ZEALAND:

Recent September 2023 New Zealand milk production reports show a 1.3 percent year-on-year-increase in milk output on a milk solids basis, however, milk output declined 0.4 percent on a tonnage basis. Market sources note a 0.4 percent season-to-date improvement on milk solids basis, compared to the previous season -to-date figures. Further numbers point to a 1.0 percent season-to-date decline on a tonnage basis, compared to the previous milk season. Meanwhile, dairy commodity prices continued to show gains at the recent GDT event 342. Accordingly, some market representatives were inclined to raise their 2023-2024 farmgate milk price forecast to \$7.88/kgMS, reflecting the upward movement of dairy commodity prices. On another note, New Zealand's September 2023 year-over-year export figures lost ground for most dairy commodities, on both a volume and value basis, 17.42 percent, and 29.54 percent, respectively. Specifically, China and other Asian countries contributed to the year-over-year downward trend in export volumes of WMP. Exports of SMP, on a volume basis, improved year-over-year, while worth noting is a 66 percent increase in exports to China. Butter export volumes grew 1.88 percent year-over-year, but cheese export volumes dropped 16.52 percent year-over-year for September 2023.

AUSTRALIA:

In Australia, a recent strike by dairy workers left some farmers with little alternative but to dump milk even as competition for milk continues to drive farmgate milk prices. The market faces challenges as farmgate milk prices fail to parallel dairy commodity prices alongside returns. While dairy commodity prices generally align with farmgate milk pricing, sources suggest that Australia's farmgate 2023 milk price has not mirrored commodity returns. Some sources project this will have a significant impact on the bulk side of dairy in FY2024. Meanwhile, most of the crop areas of Australia are experiencing dryer than expected conditions. In east Australia, farmers face challenges when it come to planting summer crops. Wheat harvesting is active in the northern half of the wheat belt, but reports also indicated that dry conditions will likely limit the yields for immature winter crops.

BUTTER/BUTTEROIL

Prices for Oceania butter moved higher at the bottom of the price range, but adjusted slightly lower at the top of the price range. At the recent GDT event, the average price for all contracts is up 2.9 percent. Prices are stronger in contracts 2-6. Butter demand is good, per industry sources. Supplies are moderate prompted by limited available milk supply volumes.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT 4,900 - 4,950

SKIM MILK POWDER

Skim milk powder prices in Oceania moved higher at both ends of the price range as the latest GDT event saw the SMP price index increased 4.3 percent. Some industry representatives expect prices to hold, with fairly stable near-term demand. Manufacturers SMP supplies are sufficient around the steady Oceania plant production schedules.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,625 - 2,725

CHEESE

Oceania cheese prices adjusted lower at both ends of the price range as buyers' demands impact domestic cheddar prices. Supply levels surpass current contract needs in some cases. Surplus loads are available. Stable cheddar production schedules align with the available seasonal milk supply. At the recent GDT event, the cheddar all contracts price index adjusted with a slight increase, after declining over the past three events. The general market undertone is steady.

Prices for: Oceania, Cheese, Cheddar, 39% Maximum Moisture ,Free on Board - Port
Price Range - \$/MT: 3,600 - 4,000

WHOLE MILK POWDER

The Oceania whole milk powder price range firmed, following the recent GDT event WMP that posted a 4.2 percent price index increase. WMP prices moved higher across all contracts. Seasonal Oceania milk supply impacts WMP production and available volumes. Industry contacts suggest that uncertainty prompts current purchasing activity from buyers to ensure coverage is in place for the near term.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,000 - 3,100

Exchange rates for selected foreign currencies:
October 3, 2023

.0029 Argentina Peso	.0120 India Rupee
.6337 Australian Dollar	.0067 Japan yen
.1995 Brazil Real	.0551 Mexican Peso
.7304 Canadian Dollar	.5846 New Zealand Dollar
.0011 Chile Peso	.2392 Poland Zloty
1.0670 Euro	.0251 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0551) = 18.1488$ Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

NEW ZEALAND MILK PRODUCTION

According to DCANZ, New Zealand milk production on a milk solids basis in September 2023 was 210,436,000 kg, compared to 207,787,000 kg in September 2022. On a tonnage basis, milk production was 2,497,000 MT in September 2023, compared to 2,507,000 MT in September 2022.

GLOBAL DAIRY TRADE

At GDT event 342 on October 17, 2023, the butter all contracts price, \$4,940, increased 2.9 percent. The November did not report any trading.

October 17, 2023, the SMP all contracts price, \$2,659, increased 4.3 percent. The November contract, \$2,626, increased 4.9 percent.

October 17, 2023, the cheddar all contracts price, \$3,858, increased 0.2 percent. The November contract, \$3,796, decreased 4.2 percent.

October 17, 2023, the WMP all contracts price, \$3,059 increased 4.2 percent. The November contract, \$3,046 increased 3.7 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Spring flush in the region has come and gone, according to contacts. They say farm milk yields were, in some cases, underwhelming due to the recent drought's longer-term impacts, increases in costs of production, and feed quality/quantity. Still, spring flush has processors reporting generally healthy supplies of farm milk for their utilization. Brazil's move to prompt increased internal milk production and processing continues to keep traders outside of the country both on alert and also seeking out other international trading partners. To further complicate the trading dynamic in the Southern Cone, elections in Argentina are expected to create some changes in tax rates and intercontinental trading relationships, regardless of outcome.

As was mentioned, Brazil's internal milk output increases, along with pushes in processing, have slowed recent importing into the country from Argentina and Uruguay, in recent months. Still, those countries' traders say loads are moving internally and to other regions of the globe. Despite a settling in the most current GDT auctions, the international sentiment in the past month regarding dairy powders has generally been viewed as bullish. Prices in South America are steady, as traders say they are somewhat comfortable currently. As spring flush milk output has likely peaked, they are also cognizant that dairy commodity markets will not escape the supply and demand foundation, despite the many complexities of global trading dynamics.

Secondary Sourced Information:

SMP exports from Argentina January-September 2023, 12,000 MT, increased 1.6 percent from January-September 2022 according to CLAL data made available to USDA.

SMP exports from Uruguay January-August 2023, 8,900 MT, decreased 52.7 percent from January-August 2022 according to CLAL data made available to USDA.

SMP imports to Brazil January-September 2023, 23,700 MT, increased 60.6 percent from January-September 2022 according to CLAL data made available to USDA.

WMP exports from Argentina January-September 2023, 64,000 MT, decreased 32.7 percent from January-September 2022 according to CLAL data made available to USDA.

WMP exports from the EU27 January-August 2023, 100,000 MT, increased 27.5 percent from January-August 2022 according to CLAL data made available to USDA.

WMP imports to Brazil January-September 2023, 121,100 MT, increased 147.8 percent from January-September 2022 according to CLAL data made available to USDA.

SKIM MILK POWDER

Skim milk powder prices are unchanged this report week. According to contacts, markets are steadily quiet. Some South American contacts say local and seasonal milk production peaks have come and gone. Therefore, condensed skim availability is at or near its highest point of availability for processing, and this could provide a bullish tailwind for SMP and other dairy commodities. That said, a run-off election in Argentina has contacts saying import/export opportunities, and tax rates, may be affected in the near-term. They also say some internationally active trading partners outside of the continent have slowed down dairy commodity purchasing in recent weeks. All said, there are more unknowns in the marketplace but current markets are holding somewhat steady on Brazilian and internal demand and balanced supplies.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,800 - 3,000

WHOLE MILK POWDER

Whole milk powder (WMP) prices held steady this week. Traders in the Southern Cone say Brazilian buying has slowed or at least steadied, but the largest country on the continent remains a top destination for Argentine and Uruguayan traders. Buyers in Cuba and Algeria are reportedly slowing down, as pipelines in those countries have been replenished in recent months. Peak milking season has past now, and supplies of milkfat are reportedly in somewhat of a balanced status. Traders in Uruguay say some farmers were not financially incentivized to add to their respective milk yields. In some cases, despite it being just past spring flush, lighter milk supplies could create some bullish movements in upcoming weeks/months.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,200 - 3,400