

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 8 - 19, 2024

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 Future reports may be included or withdrawn depending on availability of information.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

Milk production within Western Europe has begun the year with the expected seasonal milk increases. German industry sources report weekly milk production within Germany increased 1.3 percent in the first week of the year compared to the last week of 2023. However, compared to the previous year, week 1 milk production is 1.4 percent lower in Germany and 1.8 percent lower in France. In addition, Germany, the Netherlands and France all reported milk decreases for the months of October and November, 2023 when compared to 2022, suggesting a slowdown of milk output to end the year.

According to CLAL data made available to USDA, November 2023 EU cows' milk delivered to dairies is estimated at 10,924,000 MT, down 2.3 percent compared to last year. Year-to-date EU cows' milk delivered to dairies through November 2023 is estimated at 133,235,000 MT, an increase of 0.1 percent when compared to January-November 2022 EU milk production. Among some of the top Western EU milk producers, the year-to-date milk deliveries and percentage changes from January-November 2022 are Germany, 29,773,000 MT, +1.7 percent; France, 21,444,000 MT, -2.9 percent; and Netherlands, 12,750,000 MT, +1.2 percent. The provisional November 2023 cows' milk delivered to dairies in the UK was 1,197,600 MT, down 2.5 percent from November 2022. Year-to-date cows' milk deliveries in the UK for January-November 2023, 14,059,000 MT, was 0.1 percent more than total milk deliveries in January-November 2022.

Farmers protesting higher taxes and lack of governmental support subsidies created traffic jams and entangled transportation logistics in Germany for the last week. The German government is struggling to find a resolution as it works to balance its federal spending plans.

EASTERN EUROPE

Preliminary milk production numbers for November 2023 suggest a continuing trend of milk growth in some Eastern European countries and declines in others. According to CLAL data made available to USDA, some of the top Eastern EU milk producers, the year-to-date milk deliveries and percentage changes from January-November 2022 are Poland, 11,906,000 MT, +1.6 percent; Czech Republic, 2,955,000 MT, +1.5 percent; and Hungary, 1,503,000 MT, -3.8 percent. While monthly milk production in Hungary has been consistently lower each month throughout the year, monthly milk production in Poland and the Czech Republic have been consistently higher each month. Online sources report November milk production in Ukraine at 500,000 MT, down from 565,000 MT in November 2022 and down from 625,000 MT in November 2021. The dairy industry in Ukraine has faced continued economic pressures, including loss of productive land, loss of markets, and uncertain processing capacities, since the conflict with Russia began nearly two years ago.

The press service of the State Production and Consumer Services of Ukraine announced that starting January 15, 2024, Ukraine will take steps to better align the certification and facilitation of import, export, and shipments of agricultural products with that of the Euro Commission. By taking these steps, the country hopes to simplify the formal procedures to export and ship agricultural products from the Ukraine into the EU.

Ukraine and its EU neighbors continue to try to find a delicate balance to agricultural trade. Polish farmers and truckers resumed a protest, blocking a border entry point between Poland and Ukraine. The farmers are protesting with the goals of securing government subsidies, preventing tax increases, and the reinstatement of a system that would require Ukrainian companies to obtain permits in order to operate within the EU.

BUTTER/BUTTEROIL

European butter prices are steady to lower. Butter makers relay customers are pulling steadily against their contracts, and overall, butter demand is healthy and above usual levels for the time of year. That said, bulk butter customers are looking for lower cost offers as they consider deals for Q2. Inventories are adequate to meet most buyer needs, but thanks to slightly lower cream prices and active churn rates, butter stocks are growing for both packaged and bulk butter. Industry sources report higher butteroil prices for the last few weeks.

Western Europe 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT 5,900 - 6,125

Western Europe 99% Butterfat, Free on Board - Port Butteroil
Price Range - Butteroil \$/MT 6,250 - 7,575

SKIM MILK POWDER

European skim milk powder (SMP) prices moved lower. Market tones are unsettled. Although several near-term tenders have helped support SMP prices to some extent, prices are generally weaker. Market demand is quiet. EU customers have much of their immediate needs covered, and manufacturers are facing competition for the limited opportunities in export markets. Industry sources report current SMP production is below that of last year. Although inventories are limited, buyers can find the SMP they need, and offers are becoming more prevalent.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,675 - 2,925

WHEY

European whey prices are mixed. An increase in the use of liquid whey for whey derivatives production has reduced the amount available for dry whey processing. Subsequently, dry whey inventories are tighter, and prices are firming for dry whey used in food applications. However, dry whey used in feed and lower value applications has not seen appreciable firming trends. In fact, some market observers suggest market conditions are weaker for these types of dry whey.

Prices for: Western Europe, All First Sales, Free on Board - Port, , Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 850 - 1,150

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WHOLE MILK POWDER

Prices for European whole milk powder (WMP) are steady to lower. Industry sources suggest prices at the upper end of the price range are harder to secure, and indeed, prices moved lower at the top of the range. Market demand has gone quiet with many customers having their near-term needs filled. WMP production is mainly focused on filling contractual obligations. As such, inventories are steady, and weak demand and weak supply have the market in balance.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 4,000 - 4,225

Secondary Sourced Information:

EU Exports

Butter: According to CLAL data made available to USDA, year to date through November butter and other fats exports from the EU27, 270,000 MT, are up 14.1 percent compared to January-November 2022. Main destinations January-November 2023, quantity, and percent change from last year are United Kingdom, 50,704 MT, - 19.13 percent; United States, 44,726 MT, +15.39 percent; and Saudi Arabia, 19,121 MT, +67.32 percent.

SMP: Exports from the EU27 January-November 2023, 728,000 MT, increased 13.2 percent from January-November 2022 according to CLAL data made available to USDA. Main destinations January-November 2023, quantity, and percent change from January-November 2022 are Algeria, 135,151 MT, +28.26 percent; China, 66,305 MT, - 11.51 percent; and Egypt, 46,100 MT, +29.02 percent.

Whey: Exports from the EU27 January-November 2023, 726,000 MT, increased 1.0 percent from January-November 2022 according to CLAL data made available to USDA. Main destinations from January-November 2023, the quantity, and percent change from January-November 2022 are China, 187,726 MT, - 2.78 percent; Indonesia, 67,868 MT, - 4.36 percent; and Malaysia, 64,490 MT, +13.74 percent.

WMP: Exports from the EU27 January-November 2023, 243,000 MT, increased 10.7 percent from January-November 2022 according to CLAL data made available to USDA. Main destinations January-November 2023, quantity, and percent change from January-November 2022 are Oman, 39,940 MT, -17.22 percent; Algeria, 25,331 MT, +285 percent; and, United Kingdom, 16,644 MT, +11.50 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: Export data for Australia from November of 2023 was recently released, showing milk equivalent exports in the month increased by 16.9 percent compared to November 2022. Industry sources indicate this was higher than anticipated for the month, and exports to Southeast Asia were higher than in November a year ago. Total export quantities of butter, skim milk powder, fluid milk, whey, and lactose were higher in November 2023 than a year earlier. In the 12-month period ending in November, lactose and whey exports increased, while exports of the other mentioned commodities, along with WMP, declined.

NEW ZEALAND: Recent attacks on shipping vessels in the Red Sea are impacting trade routes and affecting the movement of goods through the Suez Canal as ships are being rerouted around the Cape of Good Hope in South Africa. This is contributing to increased fuel costs and shipping delays and expected to have an impact on food and beverage businesses reliant on the Red Sea for shipping. A New Zealand dairy cooperator commented on these issues, stating they are currently working with carriers to mitigate issues and anticipate increased transit times of around 2 weeks, though the complete impacts are yet to be seen.

BUTTER/BUTTEROIL

During the current reporting period, both ends of the price range for Oceania butter moved higher. During GDT event 348 this week butter prices increased during every contract period in which loads were offered, and the all contract price grew by 5.8 percent from the prior event. Butter sales were higher during this event compared to event 347 but were down from a year ago. Export data from Australia for November was recently released which showed total butter exports increased during the month by 17.2 percent, but total butter exports from January 2023 through November 2023 were down by 53.4 percent. Butter production is softening in Oceania, following seasonal trends.

Oceania 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT Butter 5,500 - 5,975

SKIM MILK POWDER

Industry sources indicate skim milk powder (SMP) production is steady to lighter, following seasonal trends in Oceania. Ocean SMP prices shifted higher at the bottom of the range during the current reporting period, while the top of the range held steady. At GDT event 348 SMP prices increased during every contract period in which loads were traded. This contributed to the SMP all contracts price moving 1.2 percent higher, the first increase since GDT event 345 early last month. The amount of SMP sold during GDT event 348 was lower than the previous event and was down from a year ago. November export data from Australia was recently released which indicated total SMP exports increased in November by 42.4 percent from a year earlier, but total SMP exports through November 2023 are down 22.5 percent compared to the same time frame a year earlier.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,575 - 2,700

CHEESE

Cheddar cheese prices increased across the range in Oceania throughout the reporting period. During GDT event 348 prices for cheddar cheese declined during the first contract period but increased during every subsequent contract period. The all contracts price for cheddar cheese increased from GDT event 347 by 1.0 percent. The volume of cheddar traded during the most recent GDT event was lower than in the prior event and was down from a year ago. Recently released export data from Australia for November 2023 showed cheese exports during the month were down 7.1 percent from the same month a year ago. This data further illustrated exports of cheese from January through November 2023 were 20.4 percent lower than the same time frame in 2022. Cheese production is softening, following seasonal trends in Oceania.

Prices for: Oceania, Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port
Price Range - \$/MT: 4,125 - 4,250

Exchange rates for selected foreign currencies:
January 15, 2024

.0012 Argentina Peso	.0121 India Rupee
.6660 Australian Dollar	.0069 Japan yen
.2056 Brazil Real	.0592 Mexican Peso
.7448 Canadian Dollar	.6200 New Zealand Dollar
.0011 Chile Peso	.2507 Poland Zloty
1.0953 Euro	.0254 Uruguay

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0589) = 16.9779$ Mexican Pesos. Source: "Wall Street Journal".

WHOLE MILK POWDER

Oceania whole milk powder (WMP) production is steady to lighter, following seasonal trends. During the current reporting period, prices for WMP in Oceania have increased across the range. At the most recent GDT event held January 16th the all contracts price for WMP increased by 1.7 percent. Higher prices were received during all contract periods in which WMP was traded, despite fewer loads trading than in the previous event. Australian export data for November 2023 was recently released which illustrated a 33 percent decline in total WMP exports during the month from a year ago. From January to November 2023 exports were down when compared to the same time frame in 2022 by 39.9 percent.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,250 - 3,350

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Brazil's CONAB and USDA's WASDE lowered estimates for Brazilian soybean and second crop corn yields due to inclement weather brought on by the El Nino phenomenon. In some areas, excessive rain delayed or halted growth, while in other areas heat and dryness played that role. Paraguay and Argentina saw increased corn estimates due to beneficial and much needed rainfall in the spring. That said, contacts in the Southern Cone say milk output is only expected to trend lower in the warming summer months. Milk checks vary from country to country, but operational costs, namely feed prices, have steadily increased throughout the entire continent.

An Algerian tender bolstered milk powder markets in the region early in the year. Whole milk powder and skim milk powder prices both experienced a bullish push. That said, contacts are showing concerns about mid- to longer-term price trends, as Brazil continues to build up its own dairy production/processing capacities. Exporter contacts in neighboring countries question how much Brazil's internal dairy expansion will inhibit potential buying needs. Additionally, contacts are eyeing the Mercosur-European Union potential trade agreements, which some expected to materialize by the end of 2023. At report time, there is not a definitive deadline for the next round of talks.

SKIM MILK POWDER

Market prices for skim milk powder (SMP) shifted higher after an Algerian tender recently transpired. Contacts say lighter milk supplies and the aforementioned tender bolstered regional markets. Milk supplies are only expected to shift lower during the upcoming months. Contacts in Uruguay and Argentina say, though, that Brazil's interests have been quieter in recent months. As a prime destination for its MERCOSUR trading partners, Brazil's importing activity is a major factor in the Southern Cone's SMP market. Contacts in the region and those elsewhere trading with South American exporters say Q2 preparations are underway, as supplies are generally spoken for through the next weeks.

The DMN average monthly price for South America skim milk powder in December was \$2982 per metric ton, compared to \$3000 in November.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,000 - 3,150

WHOLE MILK POWDER

The bullishness of milkfat in the region continued this report week, as prices for whole milk powder (WMP) in South America increased on both ends of the range. Milk output decreases continue to be reported in the region during the early summer months, despite contacts in some areas noting somewhat mild summer temperatures and beneficial precipitation. An Algerian tender, which ended last week, was also noted as playing a part in bullish price movements. Late 2023 wrought expectedly quiet market activity, but 2024 is starting off with some bullish momentum in the region. That said, there are some internal and regional trading snags at the legislative and administrative levels which contacts say are not expected to end soon, and those may create some obstacles. All said, current market tones are bullish.

The DMN average monthly price for South America whole milk powder in December was \$3381 per metric ton, compared to \$3355 in November.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,450 - 3,700

Secondary Sourced Information:

At GDT Event 348, on January 16:

Skim milk powder prices across all contracts averaged \$2,638 per metric ton, up 1.2 percent from the previous GDT event.

Whole milk powder prices across all contracts averaged \$3,353 per metric ton, up 1.7 percent from the previous GDT event.

SMP exports from Argentina January-November 2023, 15,000 MT, increased 2.4 percent from the same duration in 2022, according to CLAL data made available to USDA.

SMP exports from Uruguay January-November 2023, 11,000 MT, decreased 53.9 percent from the same duration in 2022, according to CLAL data made available to USDA.

SMP imports to Brazil January-December 2023, 34,100 MT, increased 39 percent from the same duration in 2022, according to CLAL data made available to USDA.

WMP exports from Uruguay January-November 2023, 146,000 MT, increased 23.1 percent from the same duration in 2022, according to CLAL data made available to USDA.

WMP imports to Brazil January-December 2023, 165,200 MT, increased 101.5 percent from the same duration in 2022, according to CLAL data made available to USDA.