

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered October 31 - November 11, 2022

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 Future reports may be included or withdrawn depending on availability of information.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

European milk output is at or near the nadir for the typical milk production season. But as the continental milk output approaches the low point, typically in mid-November, farmers are pushing their cows to produce more milk. According to some industry reports, weekly milk deliveries in France and Germany, the two largest European milk producing countries, have exceeded previous year levels. In some cases, milk deliveries are above levels from the previous week as well. Industry contacts suggest the surge in milk production is prompted by the higher milk pay prices milk cooperatives are offering farmers. Milk buyers have kept pay prices at high levels in efforts to keep their farmers under contract. While strong milk pay prices are in effect, farmers are willing to pay for the feed to keep their cows producing a lot of milk and hang on to the cows nearing the end of their lactation cycles.

The additional milk flows create a bit of a challenge for the dairy processors. They are currently paying their farmers a premium price for more milk but are seeing commodity prices falling. Dairy commodity buyers are backing away from making purchases outside of contracts and inventories are building. Some market observers think it is a matter of time before the dairy processors will need to lower farmer pay prices.

Inflation is taking a bite of dairy and food sales. Food and beverage prices in the UK have risen 14.6 percent in September 2022, compared to September 2021. According to a recent research survey conducted in the UK, consumers are adjusting spending habits. Shoppers have increasingly stopped buying some food or beverage products because of higher prices and are seeking store brand items with more frequency. Some food manufacturers are working with their ingredient suppliers to adjust formulations to lower input costs without compromising food quality and maintain customer loyalty.

EASTERN EUROPE

Eastern European milk production is nearing the low point for the year but has maintain a year over year increase for much of the year. Poland and the Baltic States are some of the European countries that have a net year-to-date increase in milk production compared to 2021.

After threatening to pull out of the UN-brokered Black Sea grain export deal, Russia has agreed to continue to honor the deal. Ukraine, Russia, Turkey and United Nations representatives are working to try to extend the deal that opens three Black Sea ports and allows safe passage for shipping of grain and fertilizers. So far, Ukraine has been able to export approximately 14.3 million tons of grain, down 30.7 percent from the amount exported at this point in the last grain season.

BUTTER/BUTTEROIL

The price ranges for both European butter and butteroil expanded. While market tones are trending weaker, and most reported sales are at lower prices, a few sales are supporting the top ends of the ranges ahead of the winter holiday season. Industry sources say retail packaged butter demand is strong. That said, contacts suggest that the high retail prices are weighing down the consumption of butter. Demand for block butter is trending lower due to high prices and uncertainties within the market. Butter production is mixed, and inventories are stable. In some regions, higher cream prices have slowed churns, and manufacturers are opting to move cream into other product uses.

Western Europe, 82% Butterfat, Free on Board - Port Butter

Price Range - \$/MT: 5,925 - 7,175

Western Europe, 99% Butterfat, Free on Board - Port Butteroil

Price Range - \$/MT: 8,325 - 9,100

SKIM MILK POWDER

European skim milk powder (SMP) prices moved lower. Although some industry sources say demand has picked up in the last few weeks, SMP prices are still under pressure from generally weak market demand. SMP inventories are sufficient to meet current demand, and production is increasing as milk intakes are above those of the previous year. While natural gas supplies are now adequate for drying needs, uncertainties remain prevalent whether natural gas and energy supplies will be economical as their use for home heating increases across Europe this winter.

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

Price Range - 1.25% Butterfat; \$/MT: 3,000 - 3,550

WHEY

European whey market prices are generally stable, with the reported price range contracting. Whey demand is quiet outside of contracted volumes. Industry contacts suggest that whey supplies are adequate to fill most end user needs. Milk production output levels are leveling off, starting their typical seasonal climb in volumes. With weekly milk deliveries above the levels from last year and increasing, cheese production, and the resulting whey solids output, are climbing. As a result, manufacturers are making a little more whey currently, and inventories are building.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey

Price Range - Non-Hygroscopic; \$/MT: 875 - 1,275

CONTINUED ON PAGE 8A

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered October 31 - November 11, 2022

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.

CONTINUED FROM PAGE 8**WHOLE MILK POWDER**

European whole milk powder (WMP) prices moved lower. Demand is quiet for WMP, but sources report that some new contracts are slowly getting finalized. Contracts have been slow to develop due to manufacturers' anxieties about the availability of milk and the availability of energy sources to dry the milk. End users also have concerns about the overall availability of WMP and whether market demand will grow. WMP inventories are sufficient to cover current market needs. WMP production is steady.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 4,300 - 4,875

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 31– November 11, 2022

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.

OCEANIA DAIRY MARKET OVERVIEW

NEW ZEALAND: As the New Zealand dairy industry examines indicators for optimistic milk production trends, the new milk production season has sprinted into November. Warmer than average conditions and periods of dry spells are forecasted for the month, across the country, which some say could be another La Nina weather pattern in development. Hence, inclement weather conditions have shaped the new season, as milk production continues to fall short of last season's September milk volumes. However, activity in the export market has seen a sizeable September 2022 uptick, increasing 30.9 percent compared to September 2021, with whole milk powder, cheese and AMF being the underlying factors. Meanwhile, market demand is a growing concern with the declines in dairy commodity spot prices. Sources note that the reductions in China imports drives the lower prices and the least uptick in demand may sway the current bearish sentiment.

AUSTRALIA: Australia's farmers continue to wrestle with extensive flooding in the midst of labor issues and production costs. Market analysts see these as significant obstacles that affect increases in Australia's near term milk production and dairy export volumes. The recent milk production report shows that output decreased 5.9 percent in August, compared to 2021 milk output. Data also shows that August season-to-date milk production volumes were 6.6 percent short of the first two months of the previous production period. Total dairy export volumes for the month of September 2022 declined 5.5 percent. Sources report that cheese production, currently Australia's primary export focus, is pressured by low milk output. Unfortunately, labor shortages in the dairy industry hijacked the chance for farmers to increase milk production volumes, when pasture conditions were highly favorable, earlier in the season. Meanwhile, butter, skim milk, and whole milk powder are expected to suffer reductions in the country's 2023 export market.

BUTTER/BUTTEROIL

The Oceania butter price is steady to lower. Demand is decent. Lighter butter sales are being reported alongside a fairly relaxed market. Sources are seeing some anxiousness in the market, which could worsen as uncertainty deepens around demand. In general, butter production continues to be arranged around the level of seasonal milk supply. At GDT event 319, the New Zealand (NZ) butter was very competitive compared to the EU and US. Buyers from North Asia secured the bulk of the lower price NZ butter. For now, the Oceania butter price carries a bearish sentiment.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,800 - 4,950

SKIM MILK POWDER

Oceania skim milk powder (SMP) market saw prices adjust lower, resulting from the recent GDT auction SMP price decline and faltering demand. Market undertones denote a weak SMP market and sources expect further declines in the market near-term. SMP supplies are fairly light in Australia and New Zealand due to persistent milk production challenges. Less milk will be available to make SMP through the balance of the year. Oceania export commitments have dropped in a volatile SMP market.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,950 - 3,000

CHEESE

Cheddar prices in Oceania are steady to higher. Following results from GDT event 319 as an indicator, expectations are for more of the same in coming weeks. While demand is fairly steady, there are buyers who are holding out around market uncertainty. Australia cheddar manufacturing is very active, while New Zealand has adjusted production around milk supply in the new production season. Stocks are adequate for contractual obligations and expected sales to Asia. The market undertone is stable.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,750 - 5,150

WHOLE MILK POWDER

The drop in the WMP price at GDT event 319 pushed the Oceania WMP price lower on both ends of the pricing range. Although demand was higher than the previous auction, buyers' purchases were made around lower valued offers. Trades with Southeast Asian and Oceania buyers were strongest. However, lukewarm buying interest from China continues to extend downward pressure on the Oceania WMP price. Most of New Zealand's current production supports near term contractual requirements, as milk output has an impact on inventory growth levels. WMP markets maintain a weak undertone, amidst uncertainty, as prices trend lower.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,225 - 3,300

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 31– November 11, 2022

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.

CONTINUED FROM PAGE 8B

**Exchange rates for selected foreign currencies:
November 9, 2022**

.0062 Argentina Peso	.0123 India Rupee
.6432 Australian Dollar	.0068 Japan yen
.1928 Brazil Real	.0511 Mexican Peso
.7393 Canadian Dollar	.5883 New Zealand Dollar
.0011 Chile Peso	.2124 Poland Zloty
1.0014 Euro	.0250 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0511) = 19.5695$ Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

GLOBAL DAIRY TRADE

At GDT event 319, on November 1, 2022, the butter all contracts price, \$4,868, increased 0.2 percent. The December contract, \$4,930, declined 0.3 percent.

At GDT event 319, on November 1, 2022, the SMP all contracts price, \$2,972 decreased 8.5 percent. The December contract, \$2,973, declined 9.7 percent.

At GDT event 319, on November 1, 2022, the cheddar all contracts price, \$4,802 increased 0.9 percent. The December contract, \$4,803, declined 2.8 percent.

At GDT event 319, on November 1, 2022, the WMP all contracts price, \$3,279, declined 3.4 percent. The December contract, \$3,248, declined 4.2 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

Information gathered October 31 - November 11, 2022

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.

SOUTH AMERICA OVERVIEW

Spring has brought an increase in milk production in the Southern Cone, seasonally. That said, total 2022 projections for Argentina's overall milk production are not expected to grow much when compared to last year, as dry and warm weather continues to keep milk yield expectations in check. Farming costs have had a similar effect on milk output throughout the dairy-centric region of the continent. Despite expenses returning to earth after peaking earlier in the year in some areas, the impact has been felt by dairy farmers.

Individual purchasing hurdles, at the retail level, are being reported by a number of contacts. They say dairy items are eschewed for less costly substitutes. Exports of dairy commodities remain uneven from one country to the next. Cheese, butter, and dairy powder commodities are moving well into some channels, while others have notably slowed. The Russia-Ukraine situation is clearly holding up some shipments to that area, but nearly all markets have been affected by a slowdown in Chinese purchasing of dairy commodities.

South American milk powders are under some bearish pressure in recent weeks. Undoubtedly, slowing export demand, along with limitations at the domestic retail sector due to inflation and general economic concerns, have weighted the scale in favor of supply over demand. After a notably bullish Q1-Q3 run, even casein processors are taking notice at global pressures and adjusting their 2023 contracts accordingly.

SKIM MILK POWDER

Skim milk powder prices remain under the same downward pressure that global markets are currently experiencing. Drying is steadily growing in the early spring. There are fewer reports of processing complications in recent months, at least. A recent growth in availability, however, is not a catalyst for the receding price points. China's demand slowdown, despite continued interests from within the region (Brazil) and North African/Middle Eastern import purchasers, is keeping more stocks inside of the South American region. Regarding Brazilian imports of SMP from Uruguay and Argentina, current volumes are at similar points to previous years according to contacts' reports. Following the Brazilian elections and the upcoming international football event, Brazilian contacts expect some possible slow-downs on business in the final quarter of the year.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,400 - 3,750

WHOLE MILK POWDER

Whole milk powder prices decreased this report week in the South American region. Although there are some market factors in the region keeping pricing pressures in check, global demand and pricing have not been a boon for South American powder markets. Production rates are steady to smoothing out some, as milk production has grown in key parts of the dairy concentrated areas in the Southern Cone. With a growth in milk availability, the vying for limited milk loads from processors of various commodities has ebbed. WMP imports into Brazil (from Argentina) are reportedly on a steep incline from Argentina compared to a COVID impacted 2021, but even when compared to most of the past five years, this year's numbers are stable to stronger. Uruguayan exports into Brazil are somewhat stable when compared to the past five years.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,800 - 4,200

Secondary Sourced Information:

At GDT Event 319, on November 1, skim milk powder prices across all contracts averaged \$2,972 per metric ton, down 8.5 percent from the previous GDT event.

At GDT Event 319, on November 1, whole milk powder prices across all contracts averaged \$3,279 per metric ton, down 3.4 percent from the previous GDT event.