INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered January 9 - 20, 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 Future reports may be included or withdrawn depending on availability of information.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

European dairy contacts state that milk is abundant. However, the prices for manufactured dairy products that had been propped up by tight milk supplies and reasonable demand through much of the 2022 summer are falling. Because of market uncertainties and economic challenges, demand for dairy products has weakened and their availability has increased. Contacts report that with the greater than expected milk flows to end the year, manufacturers have been able to catch up on orders and inventories are building for manufactured dairy items.

According to CLAL data made available to USDA, EU cows' milk delivered to dairies January - November 2022 is estimated at 133,017,000 MT, down 0.1 percent when compared to January - November 2021 EU milk production. Among some of the top Western EU milk producers, the January - November 2022 milk deliveries and the year-to-date percentage changes compared with January-November 2021 are Germany, 29,286,000 MT, -0.3 percent; France, 22,026,000 MT, -0.8 percent; Netherlands, 12,593,000 MT, +0.7 percent; and Italy, 11,912,000, -0.9 percent.

Through the course of the summer, tight milk supplies prompted milk cooperatives to increase pay prices to farmers. By the end of the year, pay prices topped the 60 cent per kg mark in some EU countries. However, spot milk prices are starting to fall, leading some industry analysts to predict that farmer milk pay prices may not be far behind. Some market participants think how soon and how much pay prices drop will depend on the scope of the 2023 spring milk flush, whether summer drought conditions develop once again in Europe, and the extent of possible demand improvement from China.

The United Kingdom and European Union held additional talks to seek a resolution to Northern Ireland trade protocols. As part of the terms of Brexit, Northern Ireland was to maintain certain EU single market and customs rules. However, how these rules get applied to products entering into Northern Ireland from Great Britain has been a source of contention.

EASTERN EUROPE

Provisional year to date milk production numbers across parts of Eastern Europe suggest production has grown there through the course of 2022 despite decreasing milk production in parts of Western Europe. Poland, the Check Republic, Slovakia, and Lithuania within the EU registered positive year to date milk production growth through November 2022 compared to the previous year. In addition, provisional milk production data from Belarus and Russia reports milk production growth.

An important source of grains for European animal agriculture is the Ukraine grain harvest. The Ukraine agriculture ministry reports that the 2022 grain harvest is over 90 percent completed. It estimates that 51 million tons of grain will be harvested, down from a record 86 million ton harvest in 2021. The decrease in harvest totals is largely due to hostilities between Russia and Ukraine and reduced yields. In addition, Ukraine's corn harvest has stretched into the winter months. Poor weather conditions may also reduce overall grain quality.

BUTTER/BUTTEROIL

European butter and butteroil prices have slid lower. Industry sources report that the falling prices have created some end user interest, primarily for purchases to cover short term butter needs. However, buyers are still cautious when considering longer term business offers. There is an anticipation among market participants that prices may fall further, leading some to wait and see what develops. Butter inventories are sufficient to fill most butter needs, so there is no urgency to make advanced purchases. With cream prices also moving lower, butter makers are actively churning.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,975 - 6,900

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 6,825 - 8,825

SKIM MILK POWDER

European skim milk powder (SMP) prices are trending lower. Industry sources report that some demand has perked up due to the lower prices. European SMP prices have become more appealing to buyers in some international markets, however the exchange rate for the euro is less favorable. In addition, end users do not have to be in a rush to assure coverage. SMP inventories are surpassing current demand needs. With milk production exceeding expectations, SMP production is active. There is a bearish market tone for European SMP.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,800 - 3,125

WHEY

Prices for European whey continue to slide lower. Industry sources suggest demand is light in both the food and feed markets, leaving little market price support. Inventories are growing and sufficient to fill current market needs. As milk continues to flow at rates above expectations, and cheesemakers make cheese accordingly, whey production is active. The market tone for European whey is bearish.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 800 - 1,075

WHOLE MILK POWDER

European whole milk powder (WMP) prices moved lower. But even as European WMP prices decrease, they are generally above the prices from other international suppliers. In addition, the exchange rate for the euro does not help facilitate orders. Demand is light outside of contracts. Manufacturers are mostly producing WMP on an as needed basis. WMP inventories are adequate to meet most customer needs.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,950 - 4,350

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Secondary Sourced Information:

European Butter Production
According to CLAL data made available to USDA, EU butter production during January-November 2022 is estimated at 1,895,000 MT, a decrease of 0.6 percent from January-November 2021. Among some of the top butter producers, January - November 2022 butter production and the percentage change compared with January -November 2021 are Germany, 426,060 MT, -1.3 percent; France, 366,560 MT, -1.0 percent; Ireland, 255,110 MT, -3.2 percent; and Poland, 219,440 MT, +4.9 percent.

SMP Production
According to CLAL data made available to USDA, EU SMP production January - November 2022 is estimated at 1,189,000 MT, unchanged from January - November 2021. Among some of the leading European SMP producing countries, the January - November 2022 quantity and percentage change compared with January - November 2021 are France, 347,400 MT, -5.9 percent; Germany, 312,881 MT, -3.7 percent; and Belgium, 178,770 MT, +25.1 percent.

WMP Production
According to CLAL data made available to USDA, EU WMP production January - November 2022 is estimated at 665,000 MT, a decrease of 2.8 percent from January - November 2021. Among some of the leading European WMP producing countries, the January - November 2022 quantity and percentage change compared with January - November 2021 are Germany, 288,368 MT, +8.1 percent; France, 114,090, -0.8 percent; and Netherlands, 81,000 MT, -26.7 percent.

YTD European Butter Exports
Butter and other fats exports from the EU27 January - November 2022, 237,000 MT, are down 2.2 percent compared to January - November 2021 according to CLAL data made available to USDA. Main destinations January - November 2022, quantity, and percent change from last year are United Kingdom, 62,402 MT, +31.48 percent; United States, 38,723 MT, -4.92 percent; and China, 12,890 MT, -24.82 percent.

YTD SMP Exports
SMP exports from the EU27 January - November 2022, 648,000 MT, decreased 11.7 percent from January - November 2021 according to CLAL data made available to USDA. Main destinations January - November 2022, quantity, and percent change from January - November 2021 are Algeria, 105,575 MT, +24.29 percent; China, 76,455 MT, -35.90 percent; and Indonesia, 41,328 MT, -32.36 percent.

YTD Whey Exports
Whey exports from the EU27 January - November 2022, 719,000 MT, decreased 6.2 percent from January - November 2021 according to CLAL data made available to USDA. Main destinations from January - November 2022, the quantity, and percent change from January-November 2021 are China, 190,835 MT, -16.25 percent; Indonesia, 70,806 MT, -18.28 percent; and South Korea, 57,813 MT, -0.75 percent.

YTD WMP Exports
WMP exports from the EU27 January - November 2022, 227,000 MT, decreased 18.4 percent from January - November 2021 according to CLAL data made available to USDA. Main destinations January - November 2022, quantity, and percent change from January - November 2021 are Oman, 48,249 MT, +28.90 percent; China, 19,900 MT, -4.28 percent; and United Kingdom, 14,915 MT, -10.66 percent.

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW
** UPDATED **

NEW ZEALAND: In New Zealand, improved pasture conditions have provided a bit of confidence for some farmers with regards to the January milk production report. Industry representatives expect a positive milk production forecast, following several months of less than desirable milk output. As farmers continue to be challenged by heavy rainfall levels and higher input costs, the high milk price appears to lighten the burden. Nonetheless, there is some uncertainty around the milk price, but no fear of a sharp reduction. Some market representatives suggest that supply and demand are weaker than normal, and, because of that, the New Zealand milk price is likely to maintain its current value or nudge slightly higher. For the 2023-2024 season the milk price rests at $9/kg. Meanwhile, with the support of dairy products, New Zealand export values rose 18 percent. Export values of milk powder increased 2.3 percent, while butter rose 67 percent, as cheese increased 64 percent.

AUSTRALIA: Reports show that the lack of milk supplies out of Australia prompted a decline in the country's November 2022 dairy export activities. Dairy exports for the month of November decreased 10 percent year-over-year, while year-to-date dairy exports declined 5 percent. Further, the November report show that year-over-year whole milk powder (WMP) exports grew 93 percent, but skim milk powder (SMP), along with butter exports declined, 19 and 47 percent, respectively. Cheese and whey exports both registered declines in November, down 4 percent and 14 percent, respectively, year-over-year.

Meanwhile, drier conditions have supported winter crop harvesting in the west, while showers benefited summer crops in the east. In the western half of the country, known to be the biggest producer of wheat supplies, seasonal grain harvest is pushing for a record yield for the 2022-2023 period. Market representatives expect wheat yields to increase beyond the previous yield forecast by 3 million mt, to 16 million mt, a record by all accounts. In the eastern half of the county, conditions are contrasting. Heavy rainfall has drenched fields and thereby curbed the quality of wheat. At best, in lieu of milling, the farmers are taking average to below average quality wheat and producing feed wheat. Farmer are optimistic that the events in general could add competitive pricing when it comes to New Zealand domestic spot contracts. On another note, it is being reported that Australia's export shipping ports are fully booked, which is in some cases pushing buyers' purchases well beyond the March-April wheat shipment period.

BUTTER/BUTTEROIL

Oceania butter market prices adjusted lower across the pricing range. The market is steadily weakening with limited new market influences, as demand to supply ratios continue to heavily impact the direction of current prices. At GDT 324, the butter being offered was 35.4 percent more than last year event at this time. Seasonal milk production continues to move lower, impacting butter churning schedules. Butter stocks are at light to moderate levels. Butter contracted sales are being filled on schedule and shipments occur on a timely basis.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,425 - 4,500

SKIM MILK POWDER

Oceania skim milk powder (SMP) prices are weaker compared to previous prices, moving lower at the top and bottom of the pricing range due to limited trading caused by slow demand. New Zealand SMP offers at GDT event 324 were 18.5 percent more than the previous event, as open interest for SMP observes a significant drop. Pricing pressure with other exporting countries is more evident as excess SMP moves into the global market. Meanwhile, market representatives are not expecting China to show up adequately enough at this point to negate the overall slow demand. The Oceania SMP market undertone is steady to weaker.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,825 - 2,900

CHEESE

The Oceania cheddar cheese market is mixed, with prices increasing at the bottom of the range, but declining at the top of the range following GDT event 324. The volume of cheese offered at the GDT 324 event was unchanged from the previous event. Australia's production plans are holding to schedule as the country's product mix highlights the use of milk supplies for cheese manufacturing. Meanwhile, cheese exports declined slightly in November. However, Australian domestic buying interest remains good as supermarket pricing schemes continue to cultivate consumer buying. Cheese inventories are at planned levels.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 4,800 - 5,125

WHOLE MILK POWDER

The Oceania whole milk powder (WMP) price range is steady to lower following GDT event 324. At the GDT event, the volume of WMP offered was unchanged from the previous event. Open interest is good. With milk production declining, WMP manufacturers strive to channel available milk into keeping customers stocked. Additionally, it is necessary to add to inventories to meet commitments later in the milk season, when further production declines are expected to occur. The market undertone is steady to weaker.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,150 - 3,200

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**Exchange rates for selected foreign currencies:
January 16, 2023**

.0055 Argentina Peso	.0123 India Rupee
.6955 Australian Dollar	.0078 Japan yen
.1943 Brazil Real	.0532 Mexican Peso
.7458 Canadian Dollar	.6383 New Zealand Dollar
.0012 Chile Peso	.2307 Poland Zloty
1.0821 Euro	.0252 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0532) = 18.7970 Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

GLOBAL DAIRY TRADE
At GDT event 324 on January 17, 2023, the butter all contracts price, $4,449, decreased 0.6 percent. The February contract, $4,500, increased 0.7 percent.

At GDT event 324 on January 17, 2023, the SMP all contracts price, $2,842, decreased 0.3 percent. The February contract, $2,881 increased 0.5 percent.

At GDT event 324 on January 17, 2023, the cheddar all contracts price, $4,871, increased 4.0 percent. The February contract, $5,101 increased 10.6 percent.

At GDT event 324 on January 17, 2023, the WMP all contracts price, $3,218, increased 0.1 percent. The February contract, $3,207, declined 0.2 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

The drought that has plagued the Southern Cone, in some areas for as long as three years, continues to stress soil conditions and feed crop production in the area. There are reports, though, that the La Nina phenomenon, which is a cause of the extended drought, is expected to dissipate and transition by late summer/early fall. Rainfalls are expected then, but current milk output levels are far from ample and near term expectations are not bullish in regards to milk output throughout much of the continent, and specifically the dairy-centric portions.

Soybean expectations have shifted from their norms. Brazil's output is expected to increase, despite southern parts of the country experiencing the same drought conditions as Argentina and Uruguay. Argentina's soybean yields are expected to be obstructed by the weather. Forage and silage costs will remain a primary concern for dairy producers and processors in the region.

Dairy demand from parts of northern Arica, the Middle East, but namely within the continent, have helped offset some of the dairy export slowdowns into both China and Russia. In fact, traders from both Brazil and other Southern Cone countries say some dairy commodities are unavailable until late Q1 or into early Q2. The aforementioned drought, and the summer season's effects on milk output in general, are a primary cause for limits on supplies.

SKIM MILK POWDER

Prices for skim milk powder in South America are unchanged. Trading activity is picking up, as intracontinental trading activity has begun to thaw after a notably slow period from pre-holiday weeks until recently. Despite lighter demand from Chinese importers, interests from other Southeastern Asian countries has shifted higher, and Brazil's traders, primarily, have taken on a lot more SMP in recent months. Marketers continue to relay concerns about milk output in the region, as the drought continues on and is expected to linger until the fall.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,300 - 3,600

WHOLE MILK POWDER

Whole milk powder prices slid lower this report week. Despite price slippages, contacts suggest markets are not bearish. They relay prices are just settling after some very quiet trading weeks in the region. In fact, some contacts report whole milk powder specifically among dairy commodities and, particularly when compared to New Zealand and Europe, is generally stable. They say domestic and Brazilian demand needs are present, and availability is far from sloppy. Brazilian contacts relay they are waiting out potential shipments until the fall. Milk production in the region is not strong seasonally. Additionally, drought conditions continue to plague a number of countries in the region, including all of the larger dairy producing/trading countries.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,550 - 4,050

Secondary Sourced Information:

At GDT Event 324, on January 17, skim milk powder prices across all contracts averaged $2,842 per metric ton, down 0.3 percent from the previous GDT event.

At GDT Event 324, on January 17, whole milk powder prices across all contracts averaged $3,218 per metric ton, down 0.1 percent from the previous GDT event.