INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 4 - 15, 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 Future reports may be included or withdrawn depending on availability of information.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

Western European milk production, although trending seasonally lower, has been at or slightly above previous year levels for most of the year. In general, stronger milk production in the northern parts of the continent has offset lower production in the southern parts. As the summer heat abates, the weekly decline in milk output has slowed. Favorable weather conditions have aided cow comfort and supported milk output as the region approaches the typical nadir of the milk production curve. That said, some analysts anticipate that Q4 milk volumes may fall below previous year levels in some cases.

Industry contacts share the sentiment that there is plenty of milk available, but demand for dairy ingredients is weak. Contacts say the return of Europeans from summer holidays has spurred on local demand for consumer goods such as cheese and butter. However, they add that there is limited demand for industrial butter and milk powders. With the scenario of sufficient milk supplies and generally weak dairy demand, they are perplexed that milk pay prices can hold steady. The monthly average farm-gate milk price in the United Kingdom increased slightly between June and July, and the provisional August milk pay price for the EU-27 is 43.58 euros per 100kg, down only slightly from July. In addition, Italian weekly spot milk prices have maintained levels near farm-gate pay prices for the last few months. Manufacturers may be looking at current milk intakes, but wanting to assure their milk supply needs are met into the future.

Several EU Commission proposals that were to be published this month have been delayed. The two proposals, the sustainable food systems legislation and the animal welfare legislation, are part of the EU Farm to Fork Strategy. It is unclear whether the Commission will enact any further actions on the two proposals during the current legislative period.

EASTERN EUROPE

Like Western Europe, Eastern European milk production is following seasonal declines in milk production. Milk output in Poland, one of the top Eastern European milk producers, has continued at levels above 2022 milk output levels. According to CLAL data made available to USDA, July 2023 cows' milk delivered to dairies in Poland was 1,121,000 MT, up 1.4 percent from July 2022. Year-to-date milk deliveries through July 2023 in Poland, 7,723,000 MT, increased 1.5 percent compared to year-to-date milk deliveries through July 2022. The average farm-gate milk pay price in Poland for July 2023 was 42.18 euros per 100kg, down .97euros per 100kg compared to June.

BUTTER/BUTTEROIL

European butter and butteroil prices each moved lower. As many Europeans return from their summer holidays, industry analysts notice an increase in consumer purchases of retail butter. However, the surge of shoppers restocking their refrigerators has yet to push retail butter prices higher. Industrial butter shoppers are also interested in getting their bulk butter needs covered ahead of the fall baking season, but they want to see how cream and butter availability develops in the upcoming weeks before making their purchases. Currently, cream has tightened, and butter makers are taking advantage of marketing the cream into other processing channels. Butter inventories are generally available. Some end users are willing to rely on butter coming out of the freezer as opposed to making new purchases.

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,575 - 4,950

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 5,650 - 6,300

SKIM MILK POWDER

Prices for European skim milk powder (SMP) moved lower. Although industry sources note an uptick in recent SMP buyer interest, SMP demand is still lackluster. Contacts say there is limited demand in both domestic (EU) and international markets. Buyers want to buy the older, less expensive SMP, and manufacturers are eager to remove the older stocks from the warehouse. However, processors say moving fresh production at the top of the price range is more difficult with plenty of the older stock on hand. Inventories are generally available to meet buyer needs. Some processors are opting to sell liquid skim milk concentrate instead of drying due to favorable pricing for the concentrates and high energy costs. As a result, SMP production is steady to lower.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,275 - 2,475

WHEY

European dry whey prices are steady to higher. Industry sources suggest demand has picked up for lower-priced dry whey and whey entering feed channels. The rise in buyer interest, however, still does not extend to whey priced at the top end of the price spectrum. It merely clears the lowest priced whey from the market. Whey is readily available to fill most buyer needs. Dry whey production has slowed, as higher prices for whey protein concentrate 80% and WPI prices are pulling liquid whey into those production channels as opposed to dry whey production.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 625 - 875

WHOLE MILK POWDER

Prices for European whole milk powder (WMP) moved lower. Industry sources suggest demand is quiet outside of contract fulfillment. WMP stocks are sufficient to fill buyer needs. Manufacturers are making WMP to fill current orders or to maintain inventory levels but not much else. Dryers must compete against the stronger pulls from cheese vats and other processing needs for available milk. The market tone for WMP is quiet.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,375 - 3,750

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Secondary Sourced Information:

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INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

NEW ZEALAND: In New Zealand, dairy manufacturing output is seasonally low heading into the heavier production months. Some reports note that New Zealand milk output could be constrained this season from the degradation of pastures by wet conditions. Nonetheless, milk production generally increases October through December. With that said, uncertainty around China's demand is central as cows return to milking and manufacturing output looks to improve near-term. Market sources note the situation could likely impact dairy commodity prices with downward pressure from the milk supply increase, ultimately reducing the price cooperatives pay New Zealand dairy farmers for their milk.

AUSTRALIA: While Australia is early in the milk production season, a recent report indicated that the July 2023 output closely compares to July 2022 milk volumes. Meanwhile, current projections point to stronger output for 2023-2024 than 2022-2023, which saw milk production decline 5 percent, compared to the previous season. However, the industry still faces global market challenges as China's eased demand for dairy products has brought about lowered export pricing. A redeeming component for Australia, compared to New Zealand, is the country's robust farmgate milk price that farmers are receiving. Conversely, dairy products moving into the country from New Zealand induces heavy competition for Australian dairy manufacturers, as prices are pressured in the domestic market.

On another front, farm input costs are rising again, per market representatives. With that said, the Australia dairy industry could face another El Nino, creating drier conditions that could affect farmers' feed supplies from region to region. Meanwhile, current projections from industry representatives, apart from the El Nino risk, point to average yields and moderate declines in feed prices.

BUTTER/BUTTEROIL

Oceania butter prices firmed at both ends of the pricing range, with the adjustment of the GDT butter price index, which increased 1.1 percent. New Zealand market representatives attribute the increase to an uptick in demand. Buyers from North Asia led all purchasers of butter at the latest GDT event. Buyers are actively evaluating what may happen next for near-term deliveries, prompted by the price increase. Based on the level of seasonal milk production, butter supplies for export are adequate in New Zealand, while domestic supplies in Australia are tight.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT: 4,575 - 4,750

SKIM MILK POWDER

Oceania skim milk powder (SMP) prices are lower at both ends of the pricing range, prompted by what some market representatives note as an unexplained drop in near term demand. The GDT event 339 SMP price index declined 1.6 percent. Compared to the previous GDT event, North Asia made larger purchases of SMP. Oceania SMP production is active and fresh product is reaching markets, as seasonal milk volumes increase. Most of the available SMP is committed under contracts. Loads are available on the spot market, although limited, as returns favor larger milk allocations to other dairy commodities. The market undertone varies.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,175 - 2,375

CHEESE

Oceania cheddar cheese prices adjusted lower on the bottom of the range but moved higher at the top of the range, in response to the 0.6 percent cheddar price index increase at GDT event 339. Demand is steady with trades made in all contracts. While higher pricing tends to relate to current sales, buyers who can wait for deliveries can get lower range pricing. Increases in seasonal cheddar production helped to soften low range prices. Cheese manufacturers are maintaining production schedules that bring about adequate inventory levels. Overall, the market undertone is steady.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 4,025 - 4,325

WHOLE MILK POWDER

Oceania whole milk powder (WMP) market prices adjusted higher to lower at the ends of the pricing range, the result of trading at GDT event 339. The average price for whole milk powder rose 5.3 percent at the event. Southeast Asia led a moderate upsurge in demand. WMP inventory volumes are improving in New Zealand. In Australia, little WMP is being made while seasonal milk supplies are shorter than desired. The market has a mixed undertone.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,625 - 2,675

Exchange rates for selected foreign currencies:
September 11, 2023

.0029 Argentina Peso	.0121 India Rupee
.6433 Australian Dollar	.0068 Japan yen
.2028 Brazil Real	.0579 Mexican Peso
.7366 Canadian Dollar	.5918 New Zealand Dollar
.0011 Chile Peso	.2317 Poland Zloty
1.0750 Euro	.0263 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0579) = 17.2712 Mexican Pesos. Source: "Wall Street Journal"

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GLOBAL DAIRY TRADE
At GDT event 339 on September 5, 2023, the butter all contracts price, $4,588 increased 1.1 percent. The October contract, $4,745, increased 4.3 percent.

SMP all contracts price, $2,286, decreased 1.6 percent. The October contract, $2,216, declined 6.6 percent.

Cheddar all contracts price, $4,102, decreased 0.6 percent. The October contract, $4,315, increased 0.6 percent.

WMP all contracts price, $2,702, increased 5.3 percent. The October contract, $2,727, increased 7.5 percent.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

South American milk production is nearing its peak according to contacts. They say spring production has arrived a bit early this year. Brazil, specifically, is reportedly having a banner year in regards to milk production and an increase in commodity processing. Uruguay and Argentina milk output has also increased week to week, but more importantly, from year to year. The end of the La Nina climactic phenomenon is currently evident, despite concerns about the opposite effects near-term from El Nino, and the potentially wet weather it can bring into Uruguay and Argentina. That said, recent and notable improvements in weather conditions, a wetter and mostly mild winter have preempted a return to a more "normal" spring milking season in the region.

There are varying reports regarding purchasing activity from Brazil. Some contacts say interests have picked up in recent weeks, particularly for later this year and Q1 2024. That said, other contacts are concerned that Uruguayan and Argentinian exports of cheese, whole/skim milk powders and other dairy commodities are expected to slow down due to Brazil's self-resourcefulness regarding milk output and processing capacities. Recent months, and near-term expectations, have changed regarding Brazilian buying activity when compared to the activity last year and the first two quarters of this year. Still, markets are holding somewhat steady, as interests from outside the continent, namely North Africa and parts of Asia, are starting to increase.

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SKIM MILK POWDER

South American skim milk powder (SMP) prices remained steady after multiple report week decreases. Market tones are neither bullish nor bearish, but market activity has simply slowed down. In the near-term, Brazilian interest in SMP from its neighboring countries (namely Uruguay and Argentina) has continued its recent downward trend. That said, some contacts reported Q1 2024 negotiations have begun in earnest from Brazilian customers, and importers from North Africa and the Middle East. Milk production throughout the continent has improved markedly from previous years' production, but Brazilian milk production has, according to contacts, neared its peak. Processing remains active with the seasonal milk output upticks throughout the region. Market tones are awaiting direction, and despite the slides in Brazilian interest, contacts say recently spurred interests from the aforementioned areas have kept the market tone more stable than bearish.

The DMN average monthly price for South America skim milk powder in August was $2915 per metric ton, compared to $3207 in July.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,750 - 2,950

WHOLE MILK POWDER

Whole milk powder (WMP) prices were steady this week. Market interests are perking up from countries outside the region, namely Algeria and countries in North Africa. Still, contacts report varying trends regarding Brazilian purchasing. Brazil and other non-neighboring trading partner countries are at least beginning to show interest in fulfilling Q1 needs. One certainty is that the region is in or nearing the midst of its annual milk production peak. Contacts say this has given some customers pause as they await the potential of abundant supplies depending on the rate of processing in the next few weeks. Brazil, specifically, is undergoing a hearty output season, as their recent spring seasons have been less negatively affected by the drought as their neighboring countries. All said, market tones are uncertain moving into the spring.

The DMN average monthly price for South America whole milk powder in August was $3357 per metric ton, compared to $3660 in July.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,000 - 3,400