

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered April 29 - May 10, 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 Future reports may be included or withdrawn depending on availability of information.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

Western European milk production is nearing the seasonal peak. In some cases, weekly milk volumes have plateaued, signaling the top of the milk production curve is at hand. As European milk handlers begin to consider what volumes may look like for the next few months, they are working to assure their farmer patrons stay committed to sending milk their way. Last week, a large European dairy cooperative announced the guaranteed price for May will increase by 0.50 euros to 47.25 euros per 100kg. The average March milk pay price across the EU was 46.4 euros per 100 kg, and the preliminary April pay price is estimated at 46.3 euros per 100kg. Spot farm milk prices have largely stayed close to the low/mid 40 euros per 100kg. Although slightly below the monthly average pay price, they have increased slightly in the last week.

Last week, Great Britain began physical checks on fresh food products, including meat, cheese, and some other dairy products, imported from the European Union that are deemed as medium biosecurity risks to Great Britain's agricultural sector. Smaller food importers are concerned that the new inspections will cause significant delays, reduce the variety of food products, and increase prices. The UK government estimates the inspection requirements will increase costs for the food industry by \$413 million per year and increase food inflation by 0.2% over three years.

A leading food and beverage research and development company recently released a report detailing consumer trends and strategies for dairy in response to the global food inflation. Although the dairy category has been impacted greatly by inflation, the industry can emphasize quality and added value to secure market share and reach consumers. According to the report, consumers identified five key trends that will drive market changes and product innovation. These include: matching products to consumer health preferences; providing products that maintain quality over costs; offering private label options that do not compromise quality; matching product attributes to consumer values like sustainability and authenticity; and providing for indulgence and/or convenience.

EASTERN EUROPE

Eastern European milk production continues to increase seasonally. Through the month of March, the Baltic States, Czech Republic, Slovakia, Hungary, Romania, and Poland, have all posted increases in milk production compared to the first three months of 2023. Although average monthly milk pay prices in most Eastern European countries are largely below those of their western counterparts, milk pay prices in Poland, the leading Eastern EU dairy producing country, have averaged approximately 47.7 euros per 100kg, compared to approximately 46.4 euros per 100kg, the average milk pay price for the EU27 for the first three months of the year.

BUTTER/BUTTEROIL

The price range for European butter moved higher, and the price range for European butteroil expanded. Industry sources suggest domestic prices for packaged retail butter are higher than what is typically seen for this time of year. Demand is strong for retail butter, supported by active consumer butter purchases for the asparagus season and the spring holidays. Butter makers also report strong demand for bulk butter; however, end users are hesitant to incur the warehouse charges and financing costs of holding butter for longer terms. Manufacturer inventories are seasonally growing. Butter production is steady, despite cream prices firming slightly in recent weeks.

Western Europe 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT 6,175 - 6,550

Western Europe 99% Butterfat, Free on Board - Port Butteroil
Price Range - Butteroil \$/MT 6,750 - 7,650

SKIM MILK POWDER

European skim milk powder (SMP) prices are unchanged. Demand is tepid in export channels and muted in European markets. Industry sources say a few buyers seem willing to lock in SMP purchases for Q3/Q4 at current prices to make sure some coverage is in place. Inventories are available for most buyer needs. SMP production is currently steady to slower. With subdued SMP demand and increasing prices for skim milk concentrate, some manufacturers are holding back on their production runs. The market tone for European SMP is quiet.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,400 - 2,650

WHEY

Prices for European whey powder are unchanged. Industry sources suggest near-term demand is quiet because some market participants are taking breaks for several spring holidays. In some cases, market observers report a bit more buyer interest for the second half of the year when compared to recent months. Whey powder production is active and in line with the strong seasonal cheese production across Europe. Whey powder inventories are sufficient to meet most buyer needs.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 675 - 1,075

WHOLE MILK POWDER

European whole milk powder (WMP) prices moved slightly higher. Market tones are seasonally quiet due to several spring holidays. However, demand for milkfat and some buyers looking for WMP have been enough to support current market prices. Inventories are sufficient to meet most buyer needs. WMP production is steady but geared predominantly to making WMP for current obligations.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,825 - 4,000

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: According to Dairy Australia, March 2024 milk production, 596.4 million liters, was up 2.8 percent from March 2023. Milk production was higher in March 2024 compared to a year earlier in most states, with decreases seen in Queensland and Tasmania. The largest increase from March of 2023, 4.2 percent, was in Victoria. Milk production from the start of the season in July 2023 through March 2024, 6,545.5 million liters, increased 3.1 percent compared to the same time frame a year earlier. From the start of the season in July 2023 through March 2024 the cumulative volume of milk produced was higher in every state compared to the prior season.

According to Dairy Australia, February 2024 packaged milk sales, 188.1 million liters, were up 3.5 percent from February 2023. Milk sales were lower in Tasmania, though sales increased in every other state. Milk sales from the start of the season in July through February 2024, 1,585.4 million liters, were up 1.0 percent compared to the same time period a year earlier.

Dairy Australia recently released export data for Australia showing cheddar cheese export volumes from July 2023 - March 2024 were 18,584 MT, up 28.3 percent from the same time period a year earlier. Other cheese export volumes from July 2023 - March 2024 were 89,370 MT, 7.5 percent higher compared to the same time frame a year prior.

NEW ZEALAND: Export data for March 2024 was recently released for New Zealand. This data showed a 3.6 percent increase in value for milk powder, butter, and cheese exported in March 2024 compared to March 2023. Fresh milk and cream export values were 16 percent lower in March 2024, when compared to a year earlier.

A recent survey conducted by a farming group and a financial institution in New Zealand found farm worker salaries have increased by 13 percent since 2022 in the country. This survey consisted of farmers within beef, dairy, sheep, and crop enterprises. Survey results showed significantly higher increases for employees in higher roles at farms. A spokesperson for the farming group noted the employee pay increases are impressive as farmers have faced significant headwinds in recent years.

A financial firm in New Zealand recently commented on global demand for dairy products, stating demand was at or below five year averages through March of 2024 for all products, except butter. The firm's release said they anticipate prices to remain at or near current prices due to sluggish demand. They noted milk production had been up this year, compared to last year, in Oceania, though production has been somewhat constrained in the United States and in Europe. Feed markets are softer in New Zealand and Australia, which has been helpful to farmers in Oceania.

A group in New Zealand, which forecasts dairy prices, increased the forecasted milk price following GDT event 355 by 2 cents, to \$7.82/kgMS. This group noted positive price movement for all products, except for lactose, from the prior event and stated this differed from expectations. For the season, the farmgate milk price forecast also increased, up 7 cents to \$8.42/kgMS.

BUTTER/BUTTEROIL

During the current reporting period, butter price moved higher across the range. Contacts report milk output is declining in Oceania, contributing to lighter butter production. Contacts report strong domestic demand for butter and say export demand has picked up in recent weeks. During GDT event 355 this week, butter prices moved higher during the first three contract periods but declined during contracts four and five. The volume of butter traded at the most recent GDT event was up from the previous event but was down from a year ago.

Oceania 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT Butter 6,725 - 7,025

SKIM MILK POWDER

Prices for skim milk powder (SMP) in Oceania were unchanged at the bottom of the range, while the top of the range moved lower. Contacts in Oceania report SMP production is declining in the region, as milk volumes are tapering near the end of the production season. Prices for SMP were higher at GDT event 355, compared to the prior event, during every contract period they were offered. The volume of SMP purchased during GDT event 355 decreased from the prior event and from a year ago.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,525 - 2,575

CHEESE

In Oceania, the price range for cheese moved higher across the range during the current reporting period. Contacts report steady domestic demand for cheese and say export demand is strengthening. Milk output is declining in Oceania, contributing to lighter cheese production. The all contracts price for cheddar cheese increased by 8 percent at GDT event 355 this week, the largest percentage increase for any product traded at the event. Cheddar cheese prices increased during all contract periods in which loads were traded in the prior event. The volume of cheddar cheese traded at the most recent GDT event decreased from the prior event and from a year ago.

Prices for: Oceania, Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port
Price Range - \$/MT: 4,250 - 4,350

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**Exchange rates for selected foreign currencies:
May 6, 2024**

.0011 Argentina Peso	.0120 India Rupee
.6624 Australian Dollar	.0065 Japan yen
.1970 Brazil Real	.0592 Mexican Peso
.7317 Canadian Dollar	.6010 New Zealand Dollar
.0011 Chile Peso	.2500 Poland Zloty
1.0769 Euro	.0263 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0592) = 16.8919$ Mexican Pesos.
Source: "Wall Street Journal"

WHOLE MILK POWDER

Oceania whole milk powder (WMP) prices moved higher across the range, during the current reporting period. Manufacturers in Oceania say milk availability is declining, following seasonal trends, contributing to lighter WMP production. At GDT event 355 WMP prices increased during every contract period in which loads were offered. The greatest increase was seen during the August 2024 contract. The volume of WMP traded during GDT event 355 increased from the previous event but was down from a year ago.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,250 - 3,475

Secondary Sourced Information:

During GDT event 355, on May 7, 2024:

Butter all contracts price, \$6,593, increased 2.1 percent from the prior event. The June contract, \$6,903, was up 4.8 percent.

SMP all contracts price, \$2,551, increased 0.4 percent from the prior event. The June contract, \$2,543, was up 0.5 percent.

Cheddar all contracts price, \$4,257, increased 8.0 percent from the prior event. The June contract, \$4,335, was up 6.5 percent.

WMP all contracts price, \$3,350, increased 2.4 percent from the prior event. The June contract, \$3,332, was up 2.2 percent.

Dairy Australia recently released export data for Australia:

Butter export volumes from July 2023 - March 2024 were 7,582 MT, up 38.0 percent from the same time period a year earlier.

SMP export volumes from July 2023 - March 2024 were 104,592 MT, up 10.4 percent from the same time period a year earlier.

Cheddar cheese export volumes from July 2023 - March 2024 were 18,584 MT, up 28.3 percent from the same time period a year earlier. Other cheese export volumes from July 2023 - March 2024 were 89,370 MT, 7.5 percent higher compared to the same time frame a year prior.

WMP export volumes from July 2023 - March 2024 were 34,093 MT, down 25.1 percent from the same time period a year earlier.

Recently released export data from New Zealand March 2024: Butter export volumes decreased 12.4 percent from the year prior. Export volumes of butter from January - March 2024 were down 6.7 percent from the same time frame a year ago.

SMP export volumes increased 2.8 percent from the year prior. Export volumes of SMP from January - March 2024 were up 9.6 percent from the same time frame a year ago.

Cheese export volumes decreased 12.4 percent from the year prior. Export volumes of cheese from January - March 2024 were down 10.4 percent from the same time frame a year ago.

WMP export volumes increased 21.3 percent from the year prior. Export volumes of WMP from January - March 2024 were up 32.2 percent from the same time frame a year ago.

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Dairy Market News contacts from the South America region, and beyond, have shared concerns about the catastrophic flooding in the Brazilian state of Rio Grande do Sul. Hundreds of thousands of residents have been displaced, and rescue/evacuation efforts are underway.

Regarding dairy markets, clearly the aforementioned disaster is going to further impact milk availability. Rio Grande do Sul is a notable state for dairy production in the country/region, which has already been on the tighter end of the milk availability spectrum. In other areas of the continent, reports continue to suggest Uruguayan milk output in 2024 has been on a northward trajectory, and recent milk output reports suggest Argentine farmers are finally receiving some climactic benefits, which have been few and far between in recent years. All this said, processors are likely to be running under-capacity in a number of dairy manufacturing sectors near- to mid-term.

Commodity markets in the region are quiet to firm. Brokerages are looking to book Q3/Q4 quantities for cheese, butter, and milk powders. That said, even prior to the floods, there were concerns about milk shortages for processing. Brazilian cheese demand, particularly, has been hearty throughout the first months of 2024. The impact of the natural disaster which Brazil is currently facing will only add more questions to already uncertain market tones. That said, one question is already being posed: how will processors in South America obtain the necessary amounts of milk to continue manufacturing?

WHOLE MILK POWDER

Prices shifted higher on whole milk powder (WMP) in South America. Spot trading activity has not picked up heartily, as contacts note most loads are spoken for, contractually, through the rest of the quarter. There are certainly more market bulls on the horizon for WMP markets in the region. Despite strengthening milk output in Argentina, there is a lot of catching up to do in the processing arena there. Additionally, Brazilian import needs, despite administrative incentives for in-country milk/milk powder usage, are still noted as robust. Clearly, there are myriad current and upcoming hurdles due to the natural disaster ongoing in southern Brazil.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,600 - 3,850

Secondary Sourced Information:

At GDT Event 355, on May 7:
Skim milk powder prices across all contracts averaged \$2,551 per metric ton, up 0.4 percent from the previous GDT event.

Whole milk powder prices across all contracts averaged \$3,350 per metric ton, up 2.4 percent from the previous GDT event.

SKIM MILK POWDER

Midway through the second quarter, contacts in the region say trading foci have shifted to the second half of the year, as availability of skim milk powder (SMP) is highly limited. Milk output is trending in a positive direction in Argentina, but this comes after some early-year hurdles. Uruguayan milk output is, and has been, somewhat healthy, but so has demand. Despite ups and downs so far in 2024, Brazil and other global customers have been somewhat active on the SMP markets. Regarding Brazil, the current flooding in Rio Grande do Sul will clearly impact SMP and all dairy markets for some time to come.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,150 - 3,250