

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered September 2 - 13, 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 Future reports may be included or withdrawn depending on availability of information.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.

WEST EUROPE OVERVIEW

Weekly milk collections continue to show a seasonal slide in volumes, and component levels are still lower than typical. In addition, dairy contacts in the northern regions of West Europe suggest the spread of bluetongue disease is having a marked impact on milk output. Bluetongue disease is a viral disease impacting domestic and wild ruminants and is transmitted by biting midges (gnats). It has a high mortality rate within sheep populations. And although less lethal in cattle, infected dairy cows suffer health and fertility issues that lead to reduced milk production, sometimes lasting up to 2 to 3 months. In some cases, farmers choose to ship the affected cows for slaughter rather than wait for the animal to fully recover. The disease does not pose a threat to human health or food safety. In parts of the United Kingdom, France, Belgium, the Netherlands, and Germany, where the disease is present, restricted zones are created to limit the movement of livestock and genetic products. Vaccines for the disease became available at the end of April 2024, but there is some question about the efficacy of the vaccines. In addition, cattle inoculation rates are much lower than sheep inoculation rates. Farmers are hoping a colder than average winter may be the best treatment, eliminating the midges and preventing the disease from reappearing next spring.

Uncertainties regarding milk supply are supporting higher milk pay prices. The average EU-27 July farm-gate milk pay price is calculated at 46.41 euros per 100kg. Estimated average farm milk pay prices for July are 46.30 euros per 100 kg in Germany and 51.89 euros per 100 kg in Italy. The converted average July milk pay price in the United Kingdom is calculated at 45.41 euros per 100 kg. The preliminary EU-27 August farm-gate milk pay price is 46.82 euros per 100kg. Currently, weekly spot milk prices range from the mid-50s to the mid-60s euros per 100kg depending on location.

According to CLAL data made available to USDA, the provisional July 2024 cows' milk delivered to dairies in the UK was 1,285,300 MT, unchanged from July 2023. Year-to-date cows' milk deliveries in the UK for January-July 2024, 9,238,700 MT, was only slightly lower compared to total milk deliveries in January-July 2023.

EAST EUROPE OVERVIEW

Like elsewhere in Europe, milk collections in East Europe are seasonally decreasing. In some parts of East Europe, drought conditions have reduced crop, pasture and ultimately milk production. According to the European Commission, parts of Poland, the southern Baltic region, Greece, most of the Balkans, Ukraine and southern Russia were under drought warning conditions at the mid-point of August. Higher than average temperatures and lack of moisture have reduced crop and forage volumes.

According to CLAL data made available to USDA, the provisional July 2024 cows' milk production in Belarus was 730,000 MT, down 2.4 percent from July 2023. January - July 2024 provisional milk production in Belarus, 5,140,000 MT, is up 5.6 percent from January - July 2023.

BUTTER/BUTTEROIL

Prices for European butteroil and butter both moved higher. According to some industry sources, buyers still need to gain coverage for their retail and bulk butter needs through the end of the year. Retail butter promotions are creating a stir with consumers. As a result,

butter demand is strong, and butter makers are receiving a lot of inquiries. However, butter inventories are tight, and manufacturers, concerned with the possible limited availability of milk and cream later in the year, are hesitant to sell much of their butter inventory. At current cream prices, some butter makers are willing to sell off extra loads of cream into other processing lines. They are generally comfortable churning the cream available to them but are not too eager to purchase additional loads of cream at current cream prices.

Western Europe 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT 8,600 - 9,175

Western Europe 99% Butterfat, Free on Board - Port Butteroil
Price Range - Butteroil \$/MT 8,625 - 10,150

SKIM MILK POWDER

European skim milk powder (SMP) prices continue to move higher. Although demand is a little slow in export markets, European SMP demand is steady to stronger as Europeans have returned from summer holidays and look ahead toward Q4 business. SMP inventories, while a little thin due to underwhelming milk output levels, are sufficient to meet most buyer needs. SMP production is steady to slower. Low milk volumes and the reemergence of bluetongue disease have added uncertainty to the availability of milk for processing into SMP.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,750 - 3,000

WHEY

European dry whey prices are steady to higher. Dry whey demand is stable for both food and feed sectors. While inventories are available, the steady pull on stocks has cleared out low-priced deals and kept dry whey supplies snug. Dry whey production is steady but has been kept in check by uninspiring summer milk output and hefty demand for higher protein whey products such as isolate and whey protein concentrate 80 percent.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 875 - 1,175

WHOLE MILK POWDER

European whole milk powder (WMP) prices continue to move higher. WMP production is geared mostly for current obligations, while tight milk supplies and higher costs for spot milk loads are diminishing the incentive to make additional loads of WMP. As a result, inventories of WMP are low. The stable demand for WMP from within the EU is keeping those inventories low and supporting market prices. However, with EU WMP prices above many of the other world suppliers, export sales are limited.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 4,450 - 5,025

INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

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OCEANIA DAIRY MARKET OVERVIEW

Australia: According to Dairy Australia, July 2024 milk production, 579.4 million liters, was up 1.6 percent from July 2023. July 2024 milk production was up from the prior year in New South Wales and Victoria. Meanwhile, milk production was down in Queensland, South Australia, Western Australia, and Tasmania.

According to Dairy Australia, June 2024 packaged milk sales, 195.2 million liters, were down 0.2 percent from June 2023. The volume of milk sold was up in June 2024 from a year prior in Victoria, South Australia and Western Australia, while sales volumes decreased in every other state. Packaged milk sales from the start of the season in July 2023 through June 2024, 2,383.3 million liters, were up 0.7 percent compared to the same time period a year earlier.

A financial firm in Australia anticipates milk production to grow in the country by 1.5 percent in the 2024-2025 season. A spokesperson for the firm stated strong global prices for dairy products during the first 6 months of 2024 and lower feed costs have contributed to improved margins for dairy farmers. They stated stronger margins could encourage farmers to increase milk production globally.

New Zealand: A group in New Zealand, which forecasts dairy prices, decreased the forecasted milk price for the 2024/2025 season, following GDT event 363, by 4 cents, to \$9.17/kgMS. The group stated declining prices for WMP futures have had a negative impact on forecasted milk prices. They further noted strengthening futures prices for other commodities, noting butter, have reduced the downward pressure from WMP.

A New Zealand dairy cooperative recently announced July 2024 milk production was up 9.0 percent from a year earlier. From the start of the milk production season in June 2024 through July 2024, milk production within the cooperative's network in the country was up 4.1 percent compared to the same time period a year earlier. Milk production through the first two months of the season have been strongest in the North Island due to favorable weather and pasture conditions, while weaker production has been present in the South Island.

A dairy cooperative in New Zealand recently announced plans to expand operations at one site and build a new plant at another. A spokesperson for the cooperative stated they anticipate strong growth for dairy protein markets in the coming years and their expansion aims to increase their production capacity. The cooperative has a strong customer base in Asia and is building a new plant for processing UHT cream products to meet growing demand for these products. The cooperative announced production should begin at both sites in 2026.

BUTTER

The price range for butter moved lower in Oceania during the current reporting period across the range. Contacts in the region report inflationary pressures continue to put pressure on food service butter sales, though retail butter purchasing is strong. Export demand for butter is softening. Milk output is increasing in the region, contributing to an uptick in butter production. At the most recent GDT event, butter prices decreased during most contract periods, only increasing in the February 2025 contract period. The volume of butter traded during GDT event 363 was up from GDT event 362 and higher than a year ago.

Price Range - \$/MT Butter 6,525 - 6,700

SKIM MILK POWDER

During the current reporting period, the price range for skim milk powder (SMP) moved higher in Oceania. Contacts report demand for SMP is strengthening in Oceania. Furthermore, stakeholders say export interest has picked up in recent weeks. Spot inventories of SMP are somewhat tight as demand for SMP is outpacing current production. Processors in Oceania say SMP production is increasing, as milk output is trending higher in the region. During GDT 363 last week SMP prices increased during every contract period and the all contracts price increased by 4.5 percent from GDT event 362. The volume of SMP traded at GDT event 363 was up from the previous event but was down from one year ago.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,700 - 2,800

CHEESE

Cheddar cheese prices moved higher at the bottom of the range but were unchanged at the top in Oceania during the current reporting period. Retail cheese demand is strong in Oceania, but contacts report soft food service cheese sales. Export cheese sales are steady. Milk output is increasing seasonally, contributing to increased cheese production. Spot cheese inventories are available for purchasing. Cheddar cheese prices moved higher during every contract period in which loads were traded at GDT event 363. The greatest increase in cheddar cheese prices, 2.9 percent, was seen in the February 2025 contract period.

Prices for: Oceania, Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port
Price Range - \$/MT: 4,300 - 4,450

WHOLE MILK POWDER

Both ends of the price range for whole milk powder (WMP) moved lower in Oceania during the current reporting period. Domestic demand for WMP is strengthening, but contacts report international demand has seen a notable decline in recent weeks. Production of WMP is increasing in Oceania as milk output is seasonally increasing. At GDT event 363 last week, prices for WMP decreased during every contract period in which loads were offered. The greatest price decrease, 3.0 percent, was seen during the December 2024 contract period. The volume of WMP traded at GDT event 363 was up from GDT event 362 and 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: 3,275 - 3,600

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

This time last year, reports were suggesting a "banner year" in farm milk output in Brazil and generally strengthening milk output in the Southern Cone. This year, the sentiment has changed. Contacts say farm milk output, in some areas, is as much as five percent less than it was this time last year. As is common on the continent, weather conditions vary widely. Contacts in Uruguay say wet early season weather has turned into warmer, and mostly dryer, conditions in recent weeks. In Mato Grosso, the "breadbasket" of Brazil, droughts and wildfires caused delays in the latter stages of the safrinha corn harvest and summer corn planting. Wildfires have also become a larger concern in Mato Grosso and other Brazilian states.

Dairy commodity markets are reacting to limits on milk availability and some other noteworthy bullish factors. Importers from Brazil say despite a push to increase internal sufficiency, end users/customers are still drawing on strong export commitments from neighboring countries and recent export reports confirm that sentiment. Cheese, butter, and dairy powder processors/blenders are vying for limited "peak season" milk supplies. There are some expectations that Q4 may bring on some more spot purchasing opportunities, but as October looms, others are not as certain.

SKIM MILK POWDER

Skim milk powder (SMP) prices moved higher on the top of the range this week. Import interests have been markedly bullish in recent months (see CLAL data below.) Contacts say stores are tight, particularly spot availability. Despite the milking season being at or near its annual flush, output notes have been somewhat flat. Processors are below capacity, as skim solids are being utilized in various processing channels. Contacts suggest that if Brazilian and North African interests remain hearty, Q4 will likely be notably bullish.

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

WHOLE MILK POWDER

Whole milk (WMP) prices moved higher on the top of the range this week. Marketers are relaying a number of bullish drivers. Traders say Chinese interests are beginning to blossom, which has pushed more regular customers to get ahead of the potentiality of marked bullish shifts. Interest for Q4 have clearly perked up. Additionally, milk output is not meeting its seasonal flush expectations. Processors are vying for available whole milk solids, but availability is spread somewhat thin. Current stocks are spoken for via contracts. In previous reports, late-year availability has been the expectation, but even those expectations are beginning to shift. Markets are steady to bullish with a number of bullish potential factors moving ahead into the final trading quarter of the year.

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

Exchange rates or selected foreign currencies:
September 9, 2024

| | |
|-------------------------|--------------------------|
| .0010 Argentina Peso | .0119 India Rupee |
| .6662 Australian Dollar | .0070 Japan yen |
| .1791 Brazil Real | .0503 Mexican Peso |
| .7375 Canadian Dollar | .6145 New Zealand Dollar |
| .0011 Chile Peso | .2581 Poland Zloty |
| 1.1037 Euro | .0248 Uruguay Peso |

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0503) = 19.8807$ Mexican Pesos. Source: *The Wall Street Journal*

Secondary Sourced Information:

During GDT event 363, on September 3, 2024, the butter all contracts price, \$6,675, decreased 0.9 percent from the prior event. The October contract, \$6,941, was down 1.5 percent.

During GDT event 363, on September 3, 2024, the cheddar all contracts price, \$4,324, increased 0.9 percent from the prior event. The October contract, \$4,385, was up 2.0 percent.

During GDT event 363, on September 3, 2024, the SMP all contracts price, \$2,753, increased 4.5 percent from the prior event. The October contract, \$2,799, was up 6.2 percent.

During GDT event 363, on September 3, 2024, the WMP all contracts price, \$3,396, decreased 2.5 percent from the prior event. The October contract, \$3,663, was down 1.8 percent.

SMP exports from Argentina during January-July 2024, 11,000 MT, increased 25.3 percent from the same duration in 2023, according to CLAL data made available to USDA.

SMP exports from Uruguay during January-July 2024, 9,900 MT, increased 32.9 percent from the same duration in 2023, according to CLAL data made available to USDA.

SMP imports to Brazil during January-August 2024, 27,400 MT, increased 26.9 percent from the same duration in 2023, according to CLAL data made available to USDA.

WMP exports from Argentina during January-July 2024, 63,000 MT, increased 26.8 percent from the same duration in 2023, according to CLAL data made available to USDA.

WMP exports from Uruguay during January-July 2024, 80,000 MT, decreased 9.2 percent from the same duration in 2023, according to CLAL data made available to USDA.

WMP imports to Brazil during January-August 2024, 96,700 MT, decreased 12.1 percent from the same duration in 2023, according to CLAL data made available to USDA.