WESTERN OVERVIEW

Milk production is seasonally declining across much of Western Europe, but location has a big effect on year over year comparisons. Hot, dry weather across the southern tier of countries in Europe through much of the summer has quelled milk output there, but cooler, rainy weather has provided adequate soil moisture for crops and ideal cow comfort conditions. These conditions bear out within current milk output statistics. According to CLAL data made available to USDA, June 2023 EU cows’ milk delivered to dairies is estimated at 12,505,000 MT, unchanged compared to last year. Year-to-date EU cows’ milk delivered to dairies through June 2023 is estimated at 74,525,000 MT, an increase of 0.6 percent when compared to January-June 2022 EU milk production. Among some of the top Western EU milk producers, the year-to-date milk deliveries and percentage changes from January-June 2022 are Germany, 16,578,000 MT, +2.6 percent; France, 12,233,000 MT, -2.4 percent; and Netherlands, 7,137,000 MT, +3.1 percent. The provisional June 2023 cows' milk delivered to dairies in the UK was 1,313,900 MT, up 0.6 percent from June 2022. Year-to-date cows’ milk deliveries in the UK for January-June 2023, 7,955,500 MT, was 0.8 percent more than total milk deliveries in January-June 2022.

Adequate milk supplies and weak dairy product demand have put downward pressure on milk pay prices for farmers. Milk prices have steadily edged lower since reaching all-time highs in late 2022 or early 2023. Across the EU-27, July milk prices in the EU are averaging just about 44 cents per kg or roughly $22/cwt. As the farmers' pay checks have shrunk, so too have the costs of production. The challenge for farmers is that production costs have not declined as fast as the money received for their milk output, placing a financial strain on some farms.

EASTERN EUROPE

While Eastern European milk production is declining along seasonal patterns, output in several countries is strong when comparing monthly and year-to-date milk output to last year. According to CLAL data made available to USDA, June 2023 cows’ milk delivered to dairies in Poland was 1,108,000 MT, up 1.5 percent from June 2022. Year-to-date milk deliveries through June 2023 in Poland, 6,602,000 MT, increased 1.5 percent compared to year-to-date milk deliveries through June 2022. And the provisional June 2023 cows’ milk production in Belarus was 735,000 MT, up 6.8 percent from June 2022. January - June 2023 milk production in Belarus, 4,121,000 MT, is up 5.6 percent from January - June 2022. Online sources also suggest milk production in Ukraine has been able to grow between 2022 and 2023. Estimated milk production in July 2023 is 741,000 MT, compared to 726,000 MT in July 2022. While still significantly below the 872,000 MT from July 2021, it is a positive signal for dairy production within the region.

BUTTER/BUTTEROIL

The European butter price range contracted, moving up from the bottom but down at the top. The net effect is stable prices. Regionally, prices tend to be near the top of the range in France and more interspersed across other EU countries. Industry sources report a muted. SMP production is steady.

Prices for: Europe, All First Sales, Free on Board - Port Butter
Price Range - $/MT: 4,725 - 5,325

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - $/MT: 6,075 - 6,450

SKIM MILK POWDER

Prices for European skim milk powder (SMP) are mixed, holding steady at the bottom of the range but moving lower at the top. Market activity is mostly quiet due to the summer holidays, but a few regions are starting to return from their vacations, and, as a result, buyers and sellers are starting to talk about Q4 business needs. So far, the difference in price expectations is preventing some deals from closing, and the negotiators are mostly taking a wait and see approach. There is plenty of SMP to cover buyer needs, but demand is muted. SMP production is steady.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,375 - 2,625

WHEY

European dry whey prices are steady. Prices vary slightly among regions/suppliers but have kept within the present range. Although industry sources say demand from animal feed markets has picked up slightly, the overall market tone is quiet. In international markets, some European manufacturers face a disadvantage at current prices when compared to their U.S. counterparts. There is still plenty of dry whey available in European warehouses, and buyer interest is limited. Dry whey production is steady and tracking along with European cheese production.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 575 - 925

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WHOLE MILK POWDER

European whole milk powder (WMP) prices slid lower. However, the downward price shifts have not spurred on more demand. European WMP manufacturers are still priced well above other international suppliers, suppressing buyer interest for European WMP exports. Within Europe, there is a quiet demand as buyers and sellers are still largely on summer holidays. WMP inventories are stable and able to meet most buyer needs. As summer milk volumes have tightened, processors are largely making WMP to order or to maintain current inventory levels.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,500 - 3,925

Secondary Sourced Information:

NOTICE: AMS Dairy Program is excited to have an integral role in hosting the International Dairy Federation’s World Dairy Summit 2023 which will take place Monday October 16 through Thursday October 19, 2023, at Chicago's McCormick Place. Registration is now open through September 1. Please visit the World Dairy Summit website to learn more.

Helpful Links:
World Dairy Summit 2023 Website: https://idfwwds2023.com/
International Dairy Federation: https://fil-idf.org/
OCEANIA DAIRY MARKET OVERVIEW

New Zealand: During GDT event 338, prices for all commodities, except for cheddar cheese, fell. Industry sources indicate this has contributed negatively on forecasted milk prices for the 2023 - 2024 production season. The Reserve Bank of New Zealand recently issued the August, 2023 Monetary Policy Statement and discussed declining export demand for New Zealand dairy products. Due to this, and declining global commodity prices, the bank forecasts some restraint to export demand and prices over the next 3 years. High inflation, particularly in rural parts of New Zealand, remains a concern in the country. Some contacts in New Zealand are concerned that high input costs and waning milk prices will negatively impact farmers during the 2023 - 2024 production season.

Australia: Milk prices in Australia are declining as industry sources indicate exports of dairy products are down compared to one year ago. Exports volumes for milk declined from July of 2022 through June of 2023 compared to a year prior by 16.3 percent. Meanwhile, the value of the milk exported fell by 9.4 percent. Declines in both volume and prices received were seen throughout a variety of dairy commodities. The DairyFeedbase programme is receiving additional funds from the Victorian government, who is adding additional funds to minimize the impact on climate change and the environment. The program aims to deliver projects relating to soil health, pasture composition, and reducing methane emissions.

CHEESE

Prices for cheddar cheese moved higher across the range in Oceania this week. During GDT event 338 cheddar cheese prices rose across all available contracts. The all contracts price for cheddar cheese at the event increased by 5.8 percent. During the event, more cheddar cheese was purchased for the Middle East than any other region. Furthermore, the Middle East was the only region which purchased more cheddar cheese than in the previous event. Cheese production is increasing, following seasonal trends.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 4,050 - 4,300

WHOLE MILK POWDER

Both ends of the Oceania whole milk powder (WMP) price range slid lower this period. The all contracts price for WMP declined at GDT event 338 by 10.9 percent. Greater quantities of WMP were offered at GDT event 338 than the previous event, and contacts say these additional volumes are contributing to lower prices. The largest amount of WMP secured during this auction went to North Asia. Some stakeholders note export demand for WMP to China is slowing. Inventories of WMP are growing amid light demand and steady production.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 2,500 - 2,900

SKIM MILK POWDER

The price range for skim milk powder (SMP) in Oceania moved lower at the top and bottom, following the results of the recent GDT event 338. At this event, the all contracts price for butter declined by 3.0 percent, while prices declined in each contract period offered. During the event North Asia was the top purchaser of butter and was the only region that purchased a larger quantity of butter than in the previous event. Butter production is steady in the region. Inventories of butter are sufficient to meet current market demands.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,275 - 2,500

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Helpful Links:
World Dairy Summit 2023 Website: https://idfwd2023.com/
International Dairy Federation: https://fil-idf.org/

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At GDT event 338 on August 15, 2023:

The butter all contracts price, $4,539, decreased 5.3 percent. The September contract, $4,552, decreased 3.8 percent.

The SMP all contracts price, $2,333, decreased 5.2 percent. The September contract, $2,365, decreased 2.7 percent.

The cheddar all contracts price, $4,127, increased 5.8 percent. The September contract, $4,290, increased 12.9 percent.

The WMP all contracts price, $2,548, decreased 10.9 percent. The September contract, $2,520, decreased 13.1 percent.
INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA
Information gathered August 7 - 18, 2023

SOUTH AMERICA OVERVIEW
Following a long-running La Nina event, now the current concern in the region is what is expected by the El Nino phenomenon. Argentina and Uruguay, particularly, have undergone historically hot and dry weather for the better part of the past three years. Rain and warmer winter weather have arrived. As El Nino is expected to persist into 2024, the other end of the spectrum, in this case heavy rain, is expected to move through parts of the region which have been notably dry in the 2020s.

With the mild winter, milk production has improved. But farmers in the region continue to deal with the repercussions of said drought and heat from the recent past on pasture and feed supplies. Some contacts have reported that farmgate milk prices are on par with previous years, but general operational/feed costs have moved higher. Contacts say seasonal milk output growth, typically beginning in July, got a head start this year.

Dairy commodities are facing more pressure, due in part to the aforementioned milk output growth in Uruguay and Argentina. Brazil remains a primary destination for dairy powders from Uruguay and Argentina. Contacts and reports relay continued interest from Brazil, albeit slower than in the second half of 2022 and the early months of 2023. Algerian buyers continue to show interest, but Chinese import markets have really slowed down for regional export traders.

SKIM MILK POWDER
Skim milk powder prices are under bearish pressure in the South American region. Contacts have said Brazil is still the target export market for Uruguayan and Argentinian processors, but Brazilian importers are less active on markets in general. Limited processing capacity in Brazil is expected to keep powders moving into that market, but there has been a strong growth of milk output following the extensive drought in the key dairy producing areas of the region. Globally producing competitors, particularly New Zealand, are continuing to report persistent bears. Therefore, international buyers are finding bargains elsewhere. Due to growth in regional milk output and global pricing pressure, market tones are viewed as softening in the region.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,800 - 3,000

WHOLE MILK POWDER
South American whole milk powder markets met with more bears this report week. Milk volumes in Argentina, and particularly Uruguay, have been noted as much heartier than in recent years during mid-winter. Contacts say the stronger milking season, which typically begins in earnest in July, started in June this year, and processors are taking on heavy volumes. Brazilian interests remain steadfast, albeit slower than in Q1 and early Q2. They say alternative export markets have slowed down, namely Chinese importers, who have reportedly gone quiet in recent months.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,200 - 3,600