**WESTERN OVERVIEW**

European weekly milk production continues to decrease seasonally, and monthly and year-over-year milk production rates are only trending slightly more than the previous year. According to CLAL data made available to USDA, July 2023 EU cows' milk delivered to dairies is estimated at 12,596,000 MT, up 0.5 percent compared to last year. Year-to-date EU cows' milk delivered to dairies through July 2023 is estimated at 87,235,000 MT, an increase of 0.7 percent when compared to January-July 2022 EU milk production. Among some of the top Western EU milk producers, the year-to-date milk deliveries and percentage changes from January-July 2022 are Germany, 19,384,000 MT, +2.6 percent; France, 14,194,000 MT, -2.3 percent; and Netherlands, 8,322,000 MT, +2.9 percent. The provisional July 2023 cows' milk delivered to dairies in the UK was 1,285,200 MT, up 1.0 percent from July 2022. Year-to-date cows' milk deliveries in the UK for January-July 2023, 9,240,500 MT, was 0.9 percent more than total milk deliveries in January-July 2022.

Milk supplies are tight compared to processing needs. As a result, weekly spot milk prices, cream prices, and skim milk concentrate prices are all firming. Although spot prices have seen a little rise in the near-term, industry analysts expect milk to continue to tighten due to tight farm margins and lower milk pay prices in the next few months. With weaker milk pay prices and subdued domestic and international consumption, there is a bearish tone to European dairy markets.

Inflation and its effect on consumer demand are at the forefront of the annual negotiations between major food manufacturers and food retailers that will begin next month in France. Food manufacturers contend that production costs have remained high due to higher labor, input, and supply chain costs, and they have had to bear much of the inflationary shock. However, retailers suggest food manufacturers are keeping prices elevated despite a decline in inflation and a reduction in those cost pressures. They go on to say keeping food prices high will drive shoppers away and cut into total sales volumes. In an effort to gain public support, one large supermarket chain has begun placing consumer warning stickers on some food products that have shrunk in size or cost more, while the prices of raw materials to make those products have declined.

**EASTERN EUROPE**

While milk production is seasonally decreasing across parts of Eastern Europe, industry sources suggest that that monthly and year-to-date volumes have stayed strong compared to last year. Preliminary milk production numbers from Poland report percentage increases above the average for the EU.

According to a recent USDA Global Agricultural Information Network (GAIN) report, the Ukrainian livestock industry has shrunk considerably in the last few years. Dairy and dual-purpose bovines make up a large portion of the Ukrainian livestock population. However, low milk prices, decreased consumer numbers, decreased disposable incomes, and disruptions to milk sale logistics have contributed to strains on farm economics, prompting many farmers to reduce herd sizes. A Ukrainian dairy producer association estimates the country lost between 70,000 and 100,000 dairy cows in 2022.

On September 15, the EU decided to not extend the measure that banned the sale of Ukrainian grain exports in neighboring countries. However, Poland, Hungary, and Slovakia introduced their own bans in efforts to protect the agricultural interests within their borders. As a result of the measure, Ukraine is requesting a World Trade Organization consultation. The move puts the EU in an awkward position having both to defend three member states in hearings at the WTO and possibly initiate proceedings of its own against the three member states for violations of EU law.

**BUTTER/BUTTEROIL**

European butter and butteroil prices are both steady to higher. Butter price movements vary among European countries. Most countries are seeing small, incremental adjustments higher amid seasonal increases in packaged butter demand. Some early fall holidays are promoting stronger buyer interest within Germany. End users have become more active in calling upon manufacturers to move up current orders and to begin negotiations for the first half of 2024. However, manufacturers are becoming cautious because of tight cream supplies and shrinking butter inventories. Butter stocks are disappearing quicker than expected, and production is not keeping pace with the current demand. Cream has gotten more expensive and harder to find because of the strong demand coming from other cream product manufacturers. Industry contacts expect the demand for butter to stay firm through the fall and winter holidays.

**SKIM MILK POWDER**

European skim milk powder (SMP) prices moved higher. Some industry contacts note an increase in buyer activity lately. Manufacturers are hoping that demand will grow, and prices will lift through the coming months. SMP manufacturing has slowed, as cheese and whey concentrate offer more economic potential at the moment. Stocks of SMP vary among processors and are declining with seasonal lower production. A few market observers suggest that considerable reserves of less current SMP production are still available in the warehouses. As those supplies get used, there may be more opportunities for sales of new production at higher prices.

CONTINUED ON PAGE 8A
CONTINUED FROM PAGE 8

WHEY

European dry whey prices moved slightly higher. Industry contacts say demand for dry whey has improved seasonally in both food and feed markets. Contacts also suggest plenty of less recent production is available, and once manufacturers can clear those older stocks, more sales opportunities at higher prices may develop. Dry whey production is steady, as milk flows are seasonally lower, but cheesemakers are operating at busy schedules to keep up with cheese demand.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey Price Range - Non-Hygroscopic; $/MT: 650 - 900

WHOLE MILK POWDER

Prices for European whole milk powder (WMP) are unchanged at the bottom but slightly lower at the top of the price range. While prices are slowly trending higher within some European countries, the exchange rate between euros and U.S. dollar has muted any of these price gains. Demand is quiet, with most shipments directed toward contracted sales. WMP production and inventories are steady, guided by current obligations.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder Price Range - 26% Butterfat; $/MT: 3,375 - 3,725

Secondary Sourced Information:

EU Butter Production
According to CLAL data made available to USDA, EU July butter production is 174,313 MT, an increase of 2.9 percent from July 2022. EU butter production during January-July 2023 is estimated at 1,268,000 MT, an increase of 1.9 percent from January-July 2022. Among some of the top butter producers, January-July 2023 butter production and the percentage change compared with January-July 2022 are Germany, 295,705 MT, +4.8 percent; France, 246,510 MT, +4.8 percent; and Ireland, 171,280 MT, +5.3 percent.

EU Butter Exports
According to CLAL data made available to USDA, year to date through July butter and other fats exports from the EU27, 167,000 MT, are up 7.6 percent compared to January-July 2022. Main destinations January-July 2023, quantity, and percent change from last year are United Kingdom, 28,989 MT, -20.23 percent; United States, 27,631 MT, +11.49 percent; and Saudi Arabia, 11,656 MT, +11.49 percent.

EU SMP Production
According to CLAL data made available to USDA, EU July SMP production is estimated at 103,091 MT, a decrease of 9.0 percent from July 2022. EU SMP production January-July 2023 is estimated at 793,000 MT, down 1.7 percent from January-July 2022. Among some of the leading European SMP producing countries, the January-July 2023 quantity and percentage change compared with January-July 2022 are Germany, 226,184 MT, +7.8 percent; France, 221,130 MT, -6.4 percent; and Belgium, 116,680 MT, -1.3 percent.

EU SMP Exports
SMP exports from the EU27 January-July 2023, 492,000 MT, increased 22.6 percent from January-July 2022 according to CLAL data made available to USDA. Main destinations January-July 2023, quantity, and percent change from January-July 2022 are Algeria, 103,852 MT, +96.41 percent; China, 54,747 MT, +4.49 percent; and Egypt, 30,475 MT, +12.08 percent.

EU Whey Exports
Whey exports from the EU27 January-July 2023, 459,000 MT, increased 1.8 percent from January-July 2022 according to CLAL data made available to USDA. Main destinations from January-July 2023, the quantity, and percent change from January-July 2022 are China, 121,217 MT, +9.04 percent; Indonesia, 47,089 MT, -4.77 percent; and Malaysia, 37,879 MT, -5.56 percent.

EU WMP Production
According to CLAL data made available to USDA, EU July WMP production is estimated at 62,783 MT, an increase of 7.3 percent from July 2022. EU WMP production January-July 2023 is estimated at 422,000 MT, a decrease of 4.5 percent from January-July 2022. Among some of the leading European WMP producing countries, the January-July 2023 quantity and percentage change compared with January-July 2022 are Germany, 170,002 MT, -13.2 percent; France, 65,700, -3.4 percent; and Netherlands, 56,300 MT, -2.1 percent.

EU WMP Exports
WMP exports from the EU27 January-July 2023, 169,000 MT, increased 14.4 percent from January-July 2022 according to CLAL data made available to USDA. Main destinations January-July 2023, quantity, and percent change from January-July 2022 are Oman, 29,711 MT, -15.14 percent; Algeria, 20,648 MT, +515 percent; and, United Kingdom, 11,105 MT, +17.35 percent.

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. Onsite registration is available. Please visit the World Dairy Summit website to learn more.

OCEANIA DAIRY MARKET OVERVIEW

New Zealand: New Zealand's dairy industry is challenged with projecting how dairy product prices will move under the current market conditions. While the recent increases in dairy product prices at GDT event 340 appear to have encouraged the industry, prices in general remain low. Reports show that the August 2023 WMP price saw an 18 percent drop, compared to August 2022. Another issue for the New Zealand dairy industry is milk production. Although seasonal 2023 milk production is increasing, there have been three consecutive months (June, July, and August) in which monthly milk production volumes have decreased when compared to 2022 milk volumes. August 2023-2024 milk production volumes slipped 0.9 percent on a milk solid basis. There is very little optimism in the market for milk production to improve prior to early 2024, as heavy rainfall and drought in different areas continue to deteriorate field conditions, which is likely to hamper the spring season milk yields. Meanwhile, China's demand is a development that is being closely monitored, as milkfats, SMP, and cheese exports to China for the month of August posted year-over-year improvements. On another note, the European Parliament is expected to approve the FTA with New Zealand sometime in late 2023 to early 2024. Conversely, the CPTPP with Canada has some challenges, with discussions likely to last longer than New Zealand dairy producers' desire.

AUSTRALIA: As Australia moves closer to the seasonal milk production peak, expected in a few weeks, there is a bit of tempered optimism. Milk pay prices are at a level that seem to encourage some producers in areas to work toward higher milk production. Competition among dairy processors for milk has led to offering higher milk pay prices. However, market representatives advise that Australia is on track for its smallest dairy production output in three decades. Higher dairy product prices can be found at retail stores, an indicator on track for its smallest dairy production output in three decades, expected in a few weeks, there is a bit of tempered optimism. Milk pay prices are at a level that seem to encourage some producers in areas to work toward higher milk production. Competition among dairy processors for milk has led to offering higher milk pay prices. However, market representatives advise that Australia is on track for its smallest dairy production output in three decades. Higher dairy product prices can be found at retail stores, an indicator

SKIM MILK POWDER

Oceania skim milk powder prices are higher this week, driven by near-term contracts. The SMP price index at GDT event 340 increased 5.4 percent, as North Asia buyers drove demand by making larger purchases. Some buyers remain out of the market, believing an expected increase in supplies will cause future price declines. Early season production in Australia and New Zealand is still low, along seasonal lines. Supplies are sufficient. In Australia, the current emphasis is to prioritize sending milk to SMP/butter production at the expense of other manufactured dairy products. In New Zealand, SMP export volumes are higher than last year at this time. The market undertone is firm.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder Price Range
1.25% Butterfat; $/MT: 2,325 - 2,450

CHEESE

Cheddar prices in Oceania are steady at the bottom end of the price range, but lower at the top. Inconsistent pricing in Australia and New Zealand occurs, as well as between some cheese manufacturers. At GDT event 340, the price index declined 1.7 percent. Supplies held for contract customers exceed current demand, which has led to upper range prices moving slightly lower. Limited price movement is expected until more seasonal production data is available. Current production is focused on filling existing orders. In Australia, domestic demand is factoring into supplies that are available for export. Generally, Oceania export interest is good. The market undertone is steady.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port, Price Range - $/MT: 4,025 - 4,150

WHOLE MILK POWDER

Oceania whole milk prices firmed at the top and bottom of the price range, following a 4.6 percent increase in the WMP price index at GDT event 340. Manufacturers are pleased that higher prices have sustained over the last two events and expect positive price movement to continue into the fall. As of now, futures markets are viewed as showing price strength, with active open interest. Production is seasonally steady, aligning with the available milk supply. WMP supplies are adequate and growing. New Zealand's WMP export market is less active than a year ago. In general, the WMP market displays a firm undertone.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder Price Range - 26% Butterfat; $/MT: 2,725 - 2,825

CONTINUED ON PAGE 8C
CONTINUED FROM PAGE 8B

Exchange rates for selected foreign currencies:
September 25, 2023

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Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0575) = 17.3913 Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

NEW ZEALAND MILK PRODUCTION
According to DCANZ, New Zealand milk production in August 2023 was 112,564,000kgMS compared to 113,595,000kgMS in August 2022. Production on a tonnage basis was 1,301,000mt in August 2023, compared to 1,329,000mt collected in August 2022.

GLOBAL DAIRY TRADE
At GDT event 340 on September 19, 2023, the butter all contracts price, $4,723 increased 3.8 percent. There was no October contract price available for this event.

GLOBAL DAIRY TRADE
At GDT event 340 on September 19, 2023, the SMP all contracts price, $2,400, increased 5.4 percent. The October contract, $2,365, increased 6.8 percent.

GLOBAL DAIRY TRADE
At GDT event 340 on September 19, 2023, the cheddar all contracts price, $4,044, decreased 1.7 percent. The October contract, $4,134, decreased 4.3 percent.

GLOBAL DAIRY TRADE
At GDT event 340 on September 19, 2023, the WMP all contracts price, $2,799 increased 4.6 percent. The October contract, $2,784, increased 2.8 percent.
SOUTH AMERICA OVERVIEW

South American milk output has improved following years of drought in the Southern Cone, but question marks remain for producers/processors in the region. Reports suggest Argentina's key dairy sector has continued to experience a somewhat dry summer. Moving north-bound in the region, the El Nino phenomenon is expected to increase precipitation amounts, but how much rain is the question that remains. Brazilian milk output continues to grow in general, despite reported drops in key dairy states of the country. All said, spring is upon the region, and milk availability expectations have increased.

Generally, across the continent, inflation has settled, and analysts suggest this is keeping the retail dairy aisle busier. Some notable countries in the area are still experiencing higher inflation rates, but improvements have been noted in some key parts of the region. Brazilian importing interests remain somewhat hearty, despite drop-offs when compared to a robust 2022. Argentinian exporters have said for the past two to three weeks that Brazilian interests for commodities, namely whole milk powder, have rebounded. Pipelines are being refilled, and Q1 contracts are being negotiated in earnest. Uruguayan exporters maintain strong trading relationships with North African countries, namely Algeria.

SKIM MILK POWDER

Prices edged higher in the South American skim milk powder (SMP) markets this report week. Brazil's buying has noticeably settled some compared to last year, but importing interests for milk powders from its continental neighbors, namely Argentina, are continuing to move the needle. Algerian customers remain a strong contender for Southern Cone SMP. Trading is expected to hold through the rest of the year and into Q1. Milk output remains mixed despite weather improvements throughout much of the region, but reports suggest Argentina's key dairy areas are still being impacted by drought and a continuance of dry/warm weather. SMP market tones have improved, but near-term tones are uncertain.

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

Global milkfat powder markets have begun to regain some steam, and South American whole milk powder (WMP) prices mirrored that trend. Prices have rebounded after consecutive report weeks of steady or bearish movements. African and Middle Eastern countries continue to secure loads from Uruguay and Argentina. Despite slowdowns relative to a bullish buying year during 2022 from Brazil, importers there are beginning to show an increased interest in WMP, particularly from Argentina. Contacts suggest processors are in a more comfortable pattern than they were as recently as late winter. Importers are booking contracted WMP loads through Q1 2024. Milk output has improved throughout most of the dairy-focused regions in the Southern Cone, but uncertainties remain due to the effects of the drought and potentially inclement weather brought by El Nino.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,200 - 3,400