WEST EUROPE OVERVIEW

Although EU milk output is generally above last year’s volume for the first five months of the year, weekly milk collections are seasonally decreasing. As milk volumes fade in the summer heat, cream has also become less available. Industry sources say cream prices have risen and so has demand for the fresh market products that use cream. Contacts further suggest that some buyers still need coverage for near-term needs for a variety of dairy products. And while inventories for dairy products are generally slim, demand appears to be a driving force that may determine whether prices rise or fall. Currently, dairy demand for milk fat is solid, while demand for dairy proteins is less so. However, as the summer holidays end, market participants expect a rise in demand for most dry dairy ingredients, butter, and cheese. An underlying question for most in the European dairy industry is how much milk will be available for processing as seasonal dairy demand is expected to increase in the fall.

The monthly weighted average price for EU 27 farmgate milk has stayed near 46 euros per 100 kg for much of the first half of the year, with most of the EU 27 countries having a pay price between 40 and 50 euros per 100 kg in the month of June. However, the uncertainty of milk supply has prompted a rise in milk pay prices. A large European dairy cooperative recently announced the August guaranteed milk price will increase by 1.25 euros to 49.25 euros per 100 kg. The increase demonstrates the expectation that reference milk prices will continue to rise. In addition, current weekly milk spot prices in the upper 50 euros per 100 kg are common. While the higher milk pay prices and the lower feed costs have helped farmer finances improve, lower numbers of dairy cows on the continent and tight supplies of replacement heifers have slowed the potential growth of milk output in some regions of Europe.

On July 31, 2024, Denmark derogation for nitrate expired. The change reduces the derogation permitted stocking rate of 230 kg/ha to 170 kg/ha. Farmers estimate the need to acquire or rent at least 20 to 25 percent more land to allow for the new stocking rate.

EAST EUROPE OVERVIEW

Milk production in East Europe continues to grow year over year, even as seasonal milk output slows. Increases in one of the leading East European countries, Poland, has resulted from significant increases in milk production per cow over the past few years. Decreases in feed costs, coupled with consistently supportive milk pay prices have helped maintain farm financials, leading to expanded milk production. The May farm milk pay price in Poland was 46.34 euros/100 kg compared to 45.90 euros/100 kg across the EU 27.

BUTTER/BUTTEROIL

European butter and butteroil prices both moved higher, even increasing significantly in the last few days according to some industry contacts. Demand is active for both retail and bulk butter, especially for this time of year. Because there is some uncertainty regarding butter availability in the fourth quarter, buyers want to make sure their fall butter needs are covered. In some cases, near-term butter needs have also yet to be covered. Butter inventories are snug, and butter production is not contributing to growing stocks. With limited milk fat supplies and increasing prices for cream, some manufacturers are choosing to sell off cream rather than churn.

Western Europe 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT
7,200 - 7,550

Western Europe 99% Butterfat, Free on Board - Port Butteroil
Price Range – Butteroil $/MT
8,175 - 8,850

SKIM MILK POWDER

European skim milk powder (SMP) prices moved lower for this reporting period. That said, some industry sources suggest that prices, after declining from several weeks ago, have stabilized in the last few days. Demand is mixed. Although SMP is moving well through current contracts, market demand is quiet overall. In some cases, buyers have expressed a bit more interest in available SMP, but summer holidays, buyer caution, and differences in price expectations have kept this interested muted. SMP inventories are sufficient to meet current demand, and 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: 2,450 - 2,675

WHEY

European whey prices are unchanged. Although supplies and production are not robust, industry sources suggest dry whey supplies are adequate to meet current market needs. Dry whey production is tracking along the same trajectory as cheese production. Buyers are clearing contracted loads as expected, but spot market demand is quiet while many Europeans are still on summer holiday.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; $/MT: 675—1,125

WHOLE MILK POWDER

European whole milk powder (WMP) prices moved higher. Industry sources suggest limited supplies and steady demand are keeping prices supported. WMP is moving well through current contracts, and some end users are seeking a few additional loads. However, tight milk supplies are limiting the volumes that WMP manufacturers can produce. As a result, available spot loads are limited and move only after contracted obligations are met.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,175 - 4,350
OCEANIA DAIRY MARKET OVERVIEW

AUSTRALIA: In Australia farmgate milk prices for the 2024 - 2025 season were cut by around 15 percent from several processors, amid increasing competition from imported dairy products. A spokesperson for a dairy farming group within Australia stated input costs have increased in recent years and lower milk prices will add further pressure on dairy producers, which could drive more dairy farmers out of the market. A representative from a processor within the country noted lower priced butter and cheese imported into Australia is negatively impacting sales within Australia. Dairy imports are rising in Australia, and the volume of products brought into the country has nearly tripled in the last 20 years.

In Tasmania, a milk branded as more environmentally friendly is being tested in stores by a local dairy company. The milk is produced by cows fed a diet containing a seaweed extract which contributes to reduced methane output released during digestion. A spokesperson for the dairy company noted they switched a portion of their herd to the new diet in February and have seen methane output reduced by around 25% since changing the herd's diet. Studies have shown seaweed along with other feed additives in cattle diets can reduce greenhouse gas emissions. The cost associated with these products have been a concern, preventing their widespread adoption. The environmentally friendly milk is being sold in stores within Tasmania with a 25-cent premium for a two-liter bottle.

NEW ZEALAND: Milk production data from New Zealand for June 2024 was recently released. This data showed total June 2024 production was down 1.1 percent on a tonnage basis compared to a year earlier. During June 2024, the total kg of milk solids decreased by 2.2 percent from the previous year.

Export data for June 2024 was recently released for New Zealand. This data showed a combined 10 percent decrease in value for milk powder, butter, and cheese exported in June 2024 compared to June 2023. Fresh milk and cream export values were 4.4 percent lower in June 2024, when compared to a year earlier. Infant formula export values in June 2024 were 104 percent higher compared to June of 2023, while casein and caseinate values were up 16 percent in the same time.

A group in New Zealand, which forecasts dairy production, is forecasting the volume of milk solids produced in New Zealand in July to decline by 0.2 percent from 2023, but they anticipate the volume of milk solids produced in the country to increase compared to last year from August through October.

A recently released financial survey for the 2024-2025 season in New Zealand found that farmers would be operating on a tight budget this year. An economist for the company which conducted the survey stated that farmers would need milk prices around $8.31/kgMS this season to break even compared to the approximately $8/kgMS budgeted within the survey. However, markets are forecasting $8.50/kgMS for milk prices during the upcoming season. The survey found feed is the largest cost on farms, followed by overheads. The economist further stated that farms are not in a bad spot, as many have supplementary feed on hand and are anticipating an increase in milk production during the upcoming season.

BUTTER

Butter prices held steady across the range in Oceania during the current reporting period. Domestic demand for butter is steady in Oceania. Contacts report price pressures have contributed to a lighter food service demand for butter in July compared to prior years, but this has bolstered retail butter demand as consumers are opting to eat more often. Stakeholders say interest from international butter purchasers is softening, and recently released data from New Zealand shows year to date butter exports are down compared to last year. Milk output is seasonally light in Oceania, limiting butter production in the region. Butter inventories are somewhat tight in the region.

Oceania 82% Butterfat, Free on Board - Port Butter
Price Range - $/MT 6,525 - 8,500

SKIM MILK POWDER

In Oceania, skim milk powder (SMP) prices were unchanged during the current reporting period. Contacts report domestic sales of SMP are steady in Oceania, but export demand is softened. Light seasonal milk output in Oceania continues to negatively impact SMP production in the region. Contacts report SMP inventories remain somewhat tight. During the current reporting period, two GDT Pulse auctions were held, and prices for SMP declined at both of these events. At GDT Pulse 56 on July 23rd WMP prices were down 2 percent from the prior GDT auction, and at this week's GDT Pulse event prices declined by another 0.6 percent.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 2,525 - 2,650

CHEESE

Cheddar cheese prices were unchanged in Oceania during the current reporting period. Contacts report persistent strong demand for cheese in the region from retail food purchasers, while food service sales of cheese are soft. Price pressures in the region have, reportedly, contributed to more consumers purchasing cheese for home cooking, rather than eating out. Export cheese interest has held steady in recent weeks, but contacts note international cheese demand is down in Oceania compared to last year. Milk output remains light in Oceania. Cheesemakers in the region say they are running seasonally light production schedules and inventories are currently in good balance with demand.

Prices for: Oceania, Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port
Price Range - $/MT: 4,300 - 4,350

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WHOLE MILK POWDER

Whole milk powder (WMP) prices in Oceania during the current reporting period held steady at the bottom of the range, while the top of the range moved lower. In Oceania, demand for WMP remains seasonally light. Contacts report international interest in WMP has declined slightly during the current reporting period. In the region WMP production remains seasonally light. Two GDT Pulse auctions were held this reporting period and WMP prices increased during these events, compared to the most recent GDT event. At GDT Pulse 57, regular WMP from New Zealand for the September contract period traded at $3,100, up from $3,085 during GDT event 360 two weeks ago.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,075 - 3,225

Secondary Sourced Information:

Recently released export data from New Zealand showed June 2024:
Butter export volumes decreased 10.4 percent from the year prior.
Export volumes of butter from January - June 2024 were down 8.4 percent from the same time frame a year ago.

SMP export volumes decreased 7.9 percent from the year prior. Export volumes of SMP from January - June 2024 were down 3.7 percent from the same time frame a year ago.

Cheese export volumes decreased 2.1 percent from the year prior. Export volumes of cheese from January - June 2024 were down 8.9 percent from the same time frame a year ago.

WMP export volumes decreased 10.7 percent from the year prior. Export volumes of WMP from January - June 2024 were up 6.0 percent from the same time frame a year ago.
SOUTH AMERICA OVERVIEW

Contacts suggest seasonal milk upticks are yet to be notable. An intensely wet fall season, which brought flooding and rainfall to key dairy areas throughout the continent, has become a warmer/dryer winter. One positive note, according to analysts, is that dryness is allowing for a timely corn harvest. As operational costs have been a looming concern for dairy farmers and the dairy industry, on the whole, an increase in quality forage/silage is expected to help stabilize some dairy farm costs in the near-term.

Regarding trading, contacts suggest skim solids, butter, and skim milk powder (SMP) markets are warming considerably. Both Brazilian and Algerian importers are seeking out those specific commodities with some vigor. With the expected increases in milk output, processors are expected to increase manufacturing of some currently bullish commodities, namely SMP and butter. Cheese and whole milk powder (WMP) market prices are reportedly slower to tick up, but that is at least partially due to limited availability.

SKIM MILK POWDER

The skim milk powder (SMP) price range was unchanged this week. Despite lower year over year milk production in Argentina, contacts anticipate steady increases in milk production as the season changes. SMP production has started to tick up in the region, and contacts expect drying activity to increase further in the near term. Brazil continues to import growing quantities of SMP. Due to persistent inflation in Argentina, stakeholders indicate currency devaluation has made domestically produced dairy powders more competitive on a global scale. Inflation and exchange rates continue to pose challenges for Argentinian producers.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT:
3,300 - 3,400

WHOLE MILK POWDER

Whole milk powder (WMP) prices dipped at the bottom end of the range. WMP trading activity remains limited as several processors relay limited spot availability for the balance of the quarter. Processors in the region are primarily drying whole milk for contractual fulfillment. As milk outputs increase over the coming months, however, drying activity is expected to increase. Due to rising production costs, milk production in Argentina from January through June 2024 fell 13 percent from the same period the year prior. Contacts share this steep drop in production has led to a recovery in milk prices, which will facilitate milk production over the course of the upcoming season. Preliminary export data for June 2024 shows healthy WMP demand out of Argentina.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT:
3,650 - 3,800

Exchange rates for selected foreign currencies:
July 29, 2024

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Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0537) = 18.6220 Mexican Pesos. Source: "Wall Street Journal"
INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA
Information gathered July 22 - August 2, 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.

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