

INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered November 14 - 25, 2022

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 Future reports may be included or withdrawn depending on availability of information.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

For several weeks, weekly milk collections in Germany, France and several other European countries have stabilized thanks to mild fall temperatures. The current milk volumes are now ahead of previous year collections, although the second half of 2021 was noted for its weak milk production. With strong milk pay prices, farmers are eager to push their cows to maximize production. Pay prices have been roughly \$25 to \$30/cwt through the last few months, making feeding the cows for production volumes and components more economical. Processors have plenty of milk available for the manufacture of dairy products and dairy ingredients. Current prices for some dairy commodities have weakened recently, and some market observers wonder if the processors will be able to maintain the strong milk prices paid to farmers. Industry contacts suggest that without a revitalization of dairy product demand, milk prices may come under some pressure, and processors may need to adjust the price provided to farmers for the milk.

According to CLAL data made available to USDA, September EU cows' milk delivered to dairies is estimated at 11,498,000 MT, up 0.7 percent compared to last year. EU cows' milk delivered to dairies January - September 2022 is estimated at 110,174,000 MT, down 0.4 percent when compared to January - September 2021 EU milk production. Among some of the top Western EU milk producers, the January - September 2022 milk deliveries and the year-to-date percentage changes compared with January-September 2021 are Germany, 24,132,000 MT, -0.9 percent; France, 18,186,000 MT, -1.2 percent; Netherlands, 10,340,000 MT, -0.2 percent; and Italy, 9,930,000, -0.2 percent. September 2022 raw cows' milk delivered to dairies in the UK was 1,190,900 MT, up 0.1 percent from September 2021. Year-to-date milk deliveries through September 2022 in the UK, 11,587,800 MT, decreased 1.5 percent compared to year-to-date milk deliveries through September 2021.

EASTERN EUROPE

The strong pace of Eastern European milk production is continuing into the low point for the seasonal milk production year. Milk production in Poland, Belarus, and the Czech Republic has maintained growth above 2021 for much of the year. With favorable weather and mild temperatures, monthly milk production numbers are still favorable for some of the Eastern European countries. According to CLAL data made available to USDA, September 2022 cows' milk delivered to dairies in Poland was 1,022,000 million ton, up 2.6 percent from September 2021. Year-to-date milk deliveries through September 2022 in Poland, 9,705,000 million ton, increased 2.3 percent compared to year-to-date milk deliveries through September 2021. The provisional October 2022 cows' milk production in Belarus was 643,000 MT, up 1.1 percent from October 2021. January - October 2022 milk production in Belarus, 6,602,000 MT, is up 0.3 percent from January - October 2021.

Late last week, Ukraine, Russia, Turkey and United Nations representatives were able to reach an agreement to extend the deal that will keep three Black Sea ports open for another 120 days. The deal will allow safe passage for the shipping of grain and fertilizers from Ukraine and Russia, two of the largest grain exporters in the world. So far, Ukraine has been able to export approximately 15.1 million tons of grain, down 30.6 percent from the amount exported at this point in the last grain season. Had an agreement not been reached, the deal may have lapsed on November 19.

BUTTER/BUTTEROIL

Prices for European butter are unchanged. But within the butter markets there are significant variations. Industry sources report manufacturers are busy producing more packaged butter and less bulk butter. Strong retail demand ahead of the year-end holidays is keeping packaged butter inventories tight. However, demand for bulk butter is more subdued. End users seem to have their near-term needs filled, and the gap between buyer and seller price expectations are preventing many transactions from moving forward. Market participants seem more willing to take a wait and see approach. Prices for European butteroil are steady to lower

Western Europe, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 5,925 - 7,175

Western Europe, 99% Butterfat, Free on Board - Port Butteroil
Price Range - \$/MT: 7,975 - 9,100

SKIM MILK POWDER

European skim milk powder (SMP) prices moved lower. End users have a good share of their near-term needs covered, and the spot market has gone quiet once again. As exchange rates flip, buyers are less eager to book spot deals. A large SMP tender is expected in the next few weeks. If captured, the tender could tighten up SMP stocks. But exchange rates could also make European SMP less competitive compared to some other international supplies. European SMP inventories are larger than expected and vary by manufacturer. Some contacts think prices for SMP and skimmed concentrate may further weaken before the end of the year. There is a perception that buyers do not need to be in a rush to make purchases. Contract negotiations are ongoing for the coming year. SMP production has picked up as milk volumes have stabilized and start to grow ahead of the end of the year.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 2,950 - 3,475

WHEY

The European whey market tone is stable. However, variations within exchange rates are causing fluctuations in reported prices, including some higher prices at the bottom of the price range. Industry sources suggest dry whey demand within Europe is mixed. There is no urgency from either buyers or sellers in the bulk feed market, and while near-term demand for some food applications is steady, exports are slow to develop. Inventories are available to fill most current needs. Production is steady to higher, as more milk is finding its way to cheese vats.

Prices for: Western Europe, All First Sales, Free on Board - Port, Conventional, and Edible Dry Whey
Price Range - Non-Hygroscopic; \$/MT: 900 - 1,275

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WHOLE MILK POWDER

European whole milk powder (WMP) prices are unchanged. Industry sources say market demand is weak, and WMP sales activity is quiet outside of contracts. WMP production is largely directed to filling current contract obligations. While WMP stocks are in good balance, a few manufacturers are offering loads priced near the bottom of the price range to try to clear inventories before the end of the year.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 4,300 - 4,875

Secondary Sourced Information:

European Butter Production

According to CLAL data made available to USDA, EU September butter production is 156,993 MT, an increase of 0.9 percent from September 2021. EU butter production during January-September 2022 is 1,569,723 MT, a decrease of 1.3 percent from January-September 2021. Among some of the top butter producers, January - September 2022 butter production and the percentage change compared with January-September 2021 are Germany, 351,153 MT, -2.5 percent; France, 304,730 MT, -0.6 percent; Ireland, 215,170 MT, -3.8 percent; and Poland, 177,570 MT, +3.6 percent.

YTD European Butter Exports

Butter and other fats exports from the EU27 January - September 2022, 198,000 MT, are unchanged from January - September 2021 according to CLAL data made available to USDA. Main destinations January - September 2022, quantity, and percent change from last year are United Kingdom, 49,292 MT, +36.45 percent; United States, 32,509 MT, -3.77 percent; and China, 11,342 MT, -27.87 percent.

EU SMP Production

According to CLAL data made available to USDA, EU September SMP production is estimated at 109,325 MT, an increase of 10.8 percent from September 2021. EU SMP production January - September 2022 is estimated at 1,163,448 MT, an increase of 2.5 percent from January - September 2021. Among some of the leading European SMP producing countries, the January - September 2022 quantity and percentage change compared with January - September 2021 are France, 285,600 MT, -7.9 percent; Germany, 263,308 MT, -5.8 percent; Ireland, 146,930 MT, +21.8 percent, and Belgium, 147,090 MT, +21.2 percent.

YTD EU SMP Exports

SMP exports from the EU27 January - September 2022, 528,000 MT, decreased 15.1 percent from January - September 2021 according to CLAL data made available to USDA. Main destinations January - September 2022, quantity, and percent change from January - September 2021 are Algeria, 78,412 MT, -0.01 percent; China, 64,054 MT, -40.85 percent; and Indonesia, 37,710 MT, -27.21 percent.

YTD EU Whey Exports

Whey exports from the EU27 January - August 2022, 583,000 MT, decreased 7.1 percent from January - August 2021 according to

CLAL data made available to USDA. Main destinations from January - August 2022, the quantity, and percent change from January-August 2021 are China, 149,521 MT, -24.05 percent; Indonesia, 59,725 MT, -12.86 percent; and Malaysia, 49,944 MT, +1.92 percent.

EU WMP Production

According to CLAL data made available to USDA, EU September WMP production is estimated at 51,869 MT, a decrease of 9.7 percent from September 2021. EU WMP production January - September 2022 is estimated at 509,451 MT, a decrease of 11.0 percent from January - September 2021. Among some of the leading European WMP producing countries, the January - September 2022 quantity and percentage change compared with January - September 2021 are Germany, 190,721 MT, -12.8 percent; France, 92,060, -2.3 percent; and Netherlands, 72,100 MT, -25.4 percent.

YTD European WMP Exports

WMP exports from the EU27 January - September 2022, 192,000 MT, decreased 19.2 percent from January - September 2021 according to CLAL data made available to USDA. Main destinations January - September 2022, quantity, and percent change from January - September 2021 are Oman, 42,084 MT, +18.15 percent; China, 16,392 MT, -8.58 percent; and United Kingdom, 12,492 MT, -9.47 percent.

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OCEANIA DAIRY MARKET OVERVIEW

NEW ZEALAND: In New Zealand, October is typically the month with peak seasonal milk production. However, late into the new season milk production remains in the recovery mode. In spite of record farmgate milk prices, declines in annual milk production have been prompted by dairy farmers who choose exit farming. Aging farmers, lifestyle choices, stricter greenhouse gas emissions, and water quality regulations are adding to the challenges the dairy industry must face, as factors that further pressure New Zealand's farmers. Hence, market representatives suggest that ongoing competition for land use, along with other pressures, are expected to curb milk supply into the future. Meanwhile, New Zealand's dairy farm expense adjusted higher 17 percent year-over-year, with noteworthy rises in fertilizer, fuel prices and interest rates. A positive for New Zealand milk producers was the recent increase in the whole milk powder price at the latest GDT event. The price increase raised the milk price forecast to 8.74/kgmMS.

AUSTRALIA: In Australia, contrary to high milk prices and decent weather early in the production season, Australia's milk output lags. The milk production season so far has undergone extended drought, heavy flooding, and farm labor shortages to name a few challenges. September's milk collections are reported 6.25 percent lower compared to the previous year, while Australia's milk production, season-to-date through September, declined 6.3 percent compared to last year. Following extreme October floodwaters, in major milk producing portions of the country, expectations suggest a dip in the October milk production number. Meanwhile, as advances in Australia's share of the global export market erode, caused by stagnation in Australia's milk production, other major milk producing countries are taking advantage of the void. In the interim, the dependence on New Zealand's milk is growing as Australian processors look to make purchases to fill milk shortages, around the uptick in domestic demand for dairy products. As such, consumers continue to wrestle with rising costs as prices on products such as cream, butter, and yogurts surge higher.

BUTTER/BUTTEROIL

This week, Oceania butter prices are weaker on both ends of the pricing range on fairly limited demand. Lower than normal milk production continues to reduce available cream for churning in Australia and New Zealand, as butter stocks continue to be tight in Australia. Much of current production is filling contracts. Butter exports have slowed, specifically exports to China. There is uncertainty resulting as to how churning schedules will respond to declining regional milk production. The October 2022 DMN monthly average, \$4,976, for Oceania butter is down from \$4,982 in 2021.

Oceania, 82% Butterfat, Free on Board - Port Butter
Price Range - \$/MT: 4,775 - 4,900

SKIM MILK POWDER

Oceania skim milk powder prices firmed. Production in the region has been challenged as New Zealand seasonal milk production is now past the peak and official data available through October notes seasonal milk production and milk solids declined below October last year. With production and inventory falloff, the element of uncertainty ahead intensified. Hence, buyers were more active this week in working on deals, especially for the near term. At GDT event 320 last week, reports show China's SMP purchases were at a robust level. Currently, the Oceania SMP market undertone asserts price strength.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; \$/MT: 3,050 - 3,075

CHEESE

Cheddar cheese prices in Oceania are lower this week. Demand is variable. With downturns in Oceania milk production, Australia has increased the use of its available milk to cheese production, while New Zealand has limited milk moving to cheese making for the production of dairy products with added profitability. New Zealand cheese exports volumes are showing a decline, while Australia is producing record cheese exports. The market undertone has some uncertainty.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - \$/MT: 4,700 - 5,050

WHOLE MILK POWDER

This week, Oceania whole milk powder (WMP) price movement shifted upward on both ends of the range, following the outcome of GDT event 320. The demand for WMP is what drove the higher pricing, with reports indicating an increase in volumes of WMP available for trading. Current production and stocks in New Zealand are comfortable as a major portion of available milk channels into WMP production. There is increasing awareness of seasonal milk production having moved into seasonal decline. That has led some buyers to be fairly accepting to bidding prices higher. The market has a firm undertone.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; \$/MT: 3,325 - 3,400

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CONTINUED FROM PAGE 8B**Exchange rates for selected foreign currencies:
November 21, 2022**

.0061 Argentina Peso	.0122 India Rupee
.6606 Australian Dollar	.0070 Japan yen
.1880 Brazil Real	.0512 Mexican Peso
.7434 Canadian Dollar	.6103 New Zealand Dollar
.0011 Chile Peso	.2180 Poland Zloty
1.0243 Euro	.0251 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: $(1/.0512) = 19.5313$ Mexican Pesos. Source: "Wall Street Journal"

INTERNATIONAL DAIRY MARKET NEWS - SOUTH AMERICA

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SOUTH AMERICA OVERVIEW

Milk output in the region is slowly growing, as spring weather has been generally mild in the dairy centric areas of the region. Dry weather continues to be an issue for crop output and feed quality. Q4 processing has grown in the region, from cheese/butter to powders. After months of getting reported setbacks at the processor level, recent weeks/months have been smooth by comparison.

Wheat harvest setbacks in Argentina are being reported due namely to dry soil conditions along with intermittent frosts, brought on by La Nina weather patterns. Brazil's recent presidential election has brought on protests; those involving drivers are affecting corn hauling/deliveries. Uruguayan contacts say wheat harvest has begun in recent weeks, with mixed expectations. There has been rainfall in some areas, but Uruguayan farmers are facing similar conditions, overall, that other South American farmers are facing with La Nina conditions.

Dairy processing has, as was mentioned, been reported as at least a little smoother than it was in the fall/winter. Prices of skim milk and whole milk powder were unchanged this report week. Processors and traders are working on 2023 contractual agreements, as Q4 trades have slowed down as customers are generally content with current stocks.

Secondary Sourced Information:

At GDT Event 320, on November 15, skim milk powder prices across all contracts averaged \$3,057 per metric ton, up 3.1 percent from the previous GDT event.

At GDT Event 320, on November 15, whole milk powder prices across all contracts averaged \$3,397 per metric ton, up 3.1 percent from the previous GDT event.

SKIM MILK POWDER

Prices of South American powders are unchanged this report week. Despite some upward pressure on the global market sphere, South American market prices are slower to move in either direction. As has been mentioned in previous reports, there are some bi-lateral trade agreements being worked out with South American exporters and importers in Southeast Asia, but China's slower buying, in general, has impacted global markets. Brazilian buyers say they do not expect a busy off-contract market until Q1 2023. Additionally, a large international sporting event has market contacts saying trading will be quieter over these next weeks.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder

Price Range - 1.25% Butterfat; \$/MT: 3,400 - 3,750

WHOLE MILK POWDER

Whole milk powder prices are unchanged despite some strength on global markets since the latest GDT results a week ago today (below). Markets are slower to move in the South American region, due to a number of factors, but traders report that Q4 movements are contractually focused. Trading in the region is also slower due to an international sporting event, as some contacts say days off from the plants to the brokerages will be normal in most of the region during the tournament. Production has smoothed out in the Southern Cone in recent weeks. More milk, or at least steady milk output at the farm level in the spring, is keeping processing active.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder

Price Range - 26% Butterfat; \$/MT: 3,800 - 4,200