Although European milk outputs are declining along seasonal trends, a few areas have had weekly milk deliveries above the previous year. As recently as week 37, German milk deliveries were 1.2 percent higher, and milk deliveries in France were 0.7 percent higher than that same week in 2021. Some industry contacts suggest higher milk prices may have prompted farmers to push their cows to produce a little more milk. Relief from the intense summer heat and rains that renewed autumn pastures probably did not hurt either.

The summer heat and drought conditions took a toll on European crops. Lack of rainfall prevented crops from developing in many parts of Europe. For example, in France, rainfall averaged less than 1 cm for the month of July. As a result, corn growers think the harvest may be 35 percent lower than average. Officials expect EU corn and grain production to be at 15-year lows, eliciting the need to import grains from other regions. However, it is still unclear whether Ukraine will be able to effectively export the grain needed for Europe or other parts of the world. It is very likely that the short supplies of grains may hold food and feed prices high through the remainder of the year, keeping dairy farmer financials under pressure.

United Kingdom exports are starting to return to pre-Brexit levels. According to CLAL data made available to USDA, cheese exports from the United Kingdom January - July 2022, 103,000 MT, increased 25.0 percent from January - July 2021. Main destinations January - July 2022, quantity, and percent change from January - July 2021 are Ireland, 23,941 MT, +28.40 percent; France, 16,554 MT, +126 percent; and Belgium, 13,274 MT, -1.51 percent.

European butteroil prices moved lower. European butter prices are unchanged at the top of the price range but moved down at the bottom. In both cases, prices within Europe seem to have change only slightly, while a weakening Euro relative to the U.S. dollar has had a greater impact on prices. Retail butter demand has picked up, especially in Germany prior to a national holiday. Industry sources expect that packaged butter demand will remain active ahead of the Q4 holidays. However, bulk butter demand is mixed. Buyers will make regular purchases, but only for short-term needs. Butter production is steady to lower, as some butter makers are willing to sell some of their cream. Inventories are sufficient to cover most current needs.

European skim milk powder (SMP) prices moved lower. That said, the U.S. dollar/Euro exchange rate possibly had the largest impact on prices within this price series. Prices within Europe made small adjustments, moving up in some European countries and down in others, but generally stayed within a stable price range. Industry sources report market activity is quiet. Existing contracts are getting filled, but there is limited demand outside of contracts. Buyers are cautious to make purchases beyond immediate needs, and manufacturers are hesitant to extend aggressive offers because of uncertainties regarding milk and energy supplies. Inventories are sufficient to cover current demand. SMP production is steady.

European whey prices moved lower at both ends of the price range. Demand is steady in both feed and food sectors. Industry sources suggest there is a little more dry whey currently available. Dry whey production has picked up, and market observers speculate that manufacturers may be using more whey concentrate to produce sweet whey powder and a bit less for whey protein concentrates. Dry whey market tones are stable.

CONTINUED ON PAGE 8A
CONTINUED FROM PAGE 8

WHOLE MILK POWDER

Prices for European whole milk powder (WMP) moved lower. Inventories are in balance with current market needs. Most production is directed toward contractual obligations, and spot market activity is light. Buyers are not eager to find extra loads of WMP. European WMP prices are still above much of the rest of the world. Given the high energy costs and current tightness of milk intakes and labor, manufacturers do not have any urgency to schedule additional WMP production runs or build inventories.

Prices for: Europe, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,475 - 5,125
OCEANIA DAIRY MARKET OVERVIEW

NEW ZEALAND: By New Zealand dairy industry expectations, milk production has underperformed thus far this new season, as volatility in weather conditions caused declines in pastures, along with production challenges that suppressed milk output. Farmers across the regions are reporting the same factors as milk production falls. However, national weather forecasts predict that drier conditions will prevail, following the wettest winter on record, which affected almost every part of the country at some point. Farmers expect that once that happens, pasture growth will likely progress, with ample soil moisture and optimal growing conditions. On another note, a recently released report indicated that total exports were the most ever for the month of August. On a value basis WMP was reported up 102 percent. Meanwhile, New Zealand announced the final farm gate milk price for the 2021-2022 production season. The payout totaled $9.30 on average, with a 20 cents bonus per share, leading to a record $9.50 kgMS. Also reported were higher inventories to end the year, likely the result of heavier yearend milk collections, which became bound by factory limitations and shipping disruptions.

AUSTRALIA: In Australia, despite advantageous weather conditions in most regions over the last season, Australia's milk volumes ended the 2021-2022 season down, and the country continues to report milk production declines for the 2022-2023 milk production period. Industry projections point to flat milk collections for the 2022 -2023 production season. While this year's farmgate milk price for Australian milk producers peaked to the highest ever, workforce concerns, high input costs, and farm exits challenge farmers' confidence. With the downturns in dairy production, Australia's export market is also being pressured as it echoes dairy commodity production declines. Less milk means less production, and fuels competition amongst the country's milk processors. Hence, the highest pay price ever reported, while milk processors' margins have grown tighter with eroding dairy commodity prices. Fittingly, there have been rumblings of a major dairy co-operative's plans to sale some of its Australian dairy operation, which include dairy commodities such as butter and cheese. However, a recent report announced the co-op's decision to maintain ownership of the business, as the ability to tap into the Australia's consumer market was a key driver in the change of events.

SKIM MILK POWDER

The Oceania skim milk powder (SMP) market has eased, as prices adjusted lower on the bottom and at the top of the range, following changes at GDT event 16. SMP demand is present, but bidding is slightly subdued. As milk output trends short in Australia and New Zealand, some buyers are willing to seek out SMP to assure coverage, around concerns about SMP supplies in the future. Northeast Asia buyers returned to the GDT event, acquiring most of the SMP. The volume available for trading decreased 21 percent week over week. Oceania SMP production is steady to lower. The market undertone conveys moderate uncertainty.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,525 - 3,575

CHEESE

Cheddar prices in Oceania increased at the bottom of the range, but decreased at the top of the range. Higher pricing tends to reflective current sales. While cheese manufacturers are not yet seeing milk supplies that can maintain the level of production they would like to see, plants are in good shape for current sales. A degree of uncertainty leads some buyers being willing to pay slightly more to be assured of deliveries. New Zealand cheese exports are strong to multiple global markets. The market undertone is unsettled.

Prices for: Oceania Cheese, Cheddar, 39% Maximum Moisture, Free on Board - Port,
Price Range - $/MT: 5,100 - 5,350

WHOLE MILK POWDER

Sparked by strong prices at GDT event 316, Oceania whole milk powder prices (WMP) increased throughout the range, over the past week. However, volumes that were available at the GDT event were down. Production is steady to higher, as Oceania WMP manufacturers look to increase the availability of WMP. Interest is high in the open market. Exports are good, with active purchasing from North Asian buyers. The market undertone is firm.

Prices for: Oceania, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 3,650 - 3,750

CONTINUED ON PAGE 8C
Exchange rates for selected foreign currencies:

September 26, 2022

- .0068 Argentina Peso
- .0123 India Rupee
- .6456 Australian Dollar
- .0069 Japan yen
- .1855 Brazil Real
- .0490 Mexican Peso
- .7280 Canadian Dollar
- .5635 New Zealand Dollar
- .0010 Chile Peso
- .2021 Poland Zloty
- .9609 Euro
- .0244 Uruguay Peso

Conversion example: To compare the value of 1 US Dollar to Mexican Pesos: (1/.0490) = 20.4082 Mexican Pesos. Source: "Wall Street Journal"

Secondary Sourced Information:

AUSTRALIA EXPORTS

July 2022 milk exports from Australia, 34,284 MT, decreased 5.7 percent from July 2021, according to Dairy Australia.

Australian exports of butter, July 2022, 1,156 MT, decreased 34.2 percent from July 2021, according to Dairy Australia.

Australian exports of SMP, July 2022, 10,665 MT, increased 27.2 percent from July 2021, according to Dairy Australia.

Australian exports of WMP, July 2022, 5,494 MT, increased 30.5 percent from July 2021, according to Dairy Australia.

Australian exports of cheddar, July 2022, 1,912 MT, decreased 40.1 percent from July 2021, according to Dairy Australia.

GLOBAL DAIRY TRADE

At GDT event 316, on September 20, 2022, the butter all contracts price, $5,356, decreased 0.2 percent. The October contract, $5,345, decreased 3.6 percent.

At GDT event 316, on September 20, 2022, the SMP all contracts price, $3,547, declined 0.7 percent. The October contract, $3,573, increased 0.2 percent.

At GDT event 316, on September 20, 2022, the WMP all contracts price, $3,733, increased 3.7 percent. The October contract, $3,703, increased 4.5 percent.

At GDT event 316 on September 20, 2022, the cheddar all contracts price, $5,147, increased 2.1 percent. The October contract, $5,141, decreased 6.6 percent.
**SOUTH AMERICA OVERVIEW**

Argentinian and Uruguayan contacts say milk output is slightly lower than last year, but they also mention last year being a strong output year, in general. Dryness continues to take its toll on the region and the world, for that matter. Reports suggest that as dairy prices increase from the farm level into processing and packaging, consumer interests at the retail sector have waned in response.

International interests for corn and soybeans from the continent are potentially edging even higher. Brazilian farmers are expecting record yields for 2023. Corn output growth in the region, and particularly in Brazil, is expected to offset some of the crop yields lost in Ukraine. In Argentina, 2023 crop expectations are not as high as this year's.

Since Q2, Brazilian imports of dairy commodities have picked up noticeably. Contacts say that the momentum maintained during Q3 and is expected to hold for Q4. Algeria is also picking up some of the slack left by the Eastern European conflict.

**SKIM MILK POWDER**

Exporters of skim milk powder (SMP) from Brazil and Uruguay have been busier in recent months. Brazilian end users are active and imports into the largest South American country have received a boost. Contacts in the Southern Cone say Brazilian imports grew in Q2 and more noticeably in Q3, and they are expected to continue into Q4. As spring arrives, there are some positive notes in regards to milk output and availability for drying, as well. Clearly, dryness is playing a part in large swaths of the region, and the milk outlook is mixed from one contact to another. The bottom end of the price range of SMP shifted lower, but market tones are not bearish.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Skim Milk Powder
Price Range - 1.25% Butterfat; $/MT: 3,700 - 4,400

**WHOLE MILK POWDER**

Prices for whole milk powder (WMP) slipped lower on both sides of the range. Despite the price drop, market tones are not bearish. According to contacts, prices are falling in line with those of global competitors. Demand has been somewhat robust from Brazil. Reports suggest the midyear point brought on a significant change in Brazilian purchasing, and expectations for purchasing growth from Brazilian buyers are similar for Q4. Reports point out that Brazil's internal milk prices pushed buyers to look at neighboring countries for options. There are some mixed forecasts on near-term trends in regards to both milk output and WMP processing capacities in the region, but global milkfat shortages are not expected to put much more downward pricing pressure on WMP in the near-term.

Prices for: South America, All First Sales, Free on Board - Port, Conventional, and Edible Whole Milk Powder
Price Range - 26% Butterfat; $/MT: 4,000 - 4,650

Secondary Sourced Information:
At GDT Event 316, on September 20, skim milk powder prices across all contracts averaged $3,547 per metric ton, down 0.7 percent from the previous GDT event.