



Horizons.

Our insights
on Today's Global
Dairy Business

February 2025

#02



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HOI!

Welcome to the latest edition of our newsletter, where we bring you key insights and updates from the dairy industry.

In this issue, our 'Market Direction' section explores the latest trends in Global Milk Production, offering a snapshot of where the market is headed. Our 'Deep Dive' takes a closer look at SMP / NFDM, unpacking the key factors shaping supply, demand, and pricing.

We're also bringing you an expanded 'Quick Note' section—this time covering four hot topics:

- The latest on US WPC/WPI (high proteins)
- EU Cheese
- EEX Futures, with expert insights from Joris Thys
- A market pulse check on China's economy

Our 'World Comment' features Natusha Geerman, Global Compliance Officer, sharing her perspective on global trade and compliance matters.

Finally, in 'Hoogwegt Happenings', we unveil details of our upcoming presence at Food Ingredients China 2025, giving you a sneak peek at what's in store.

Stay tuned, and enjoy the read!

As Always,
Hoogwegt Horizons Editorial Team

Market Direction

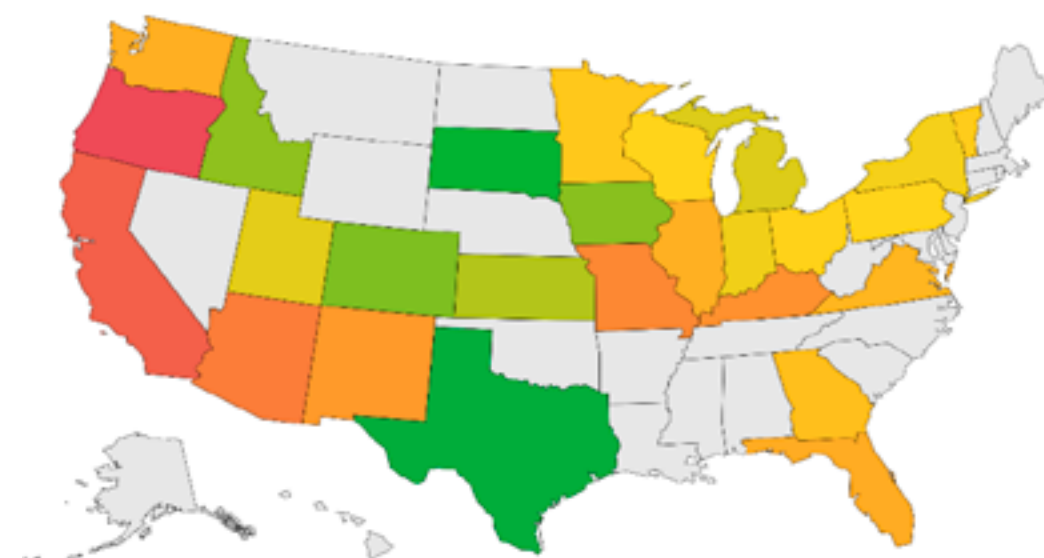
Milking the Facts: A Look at Milk Production.

US Milk Production

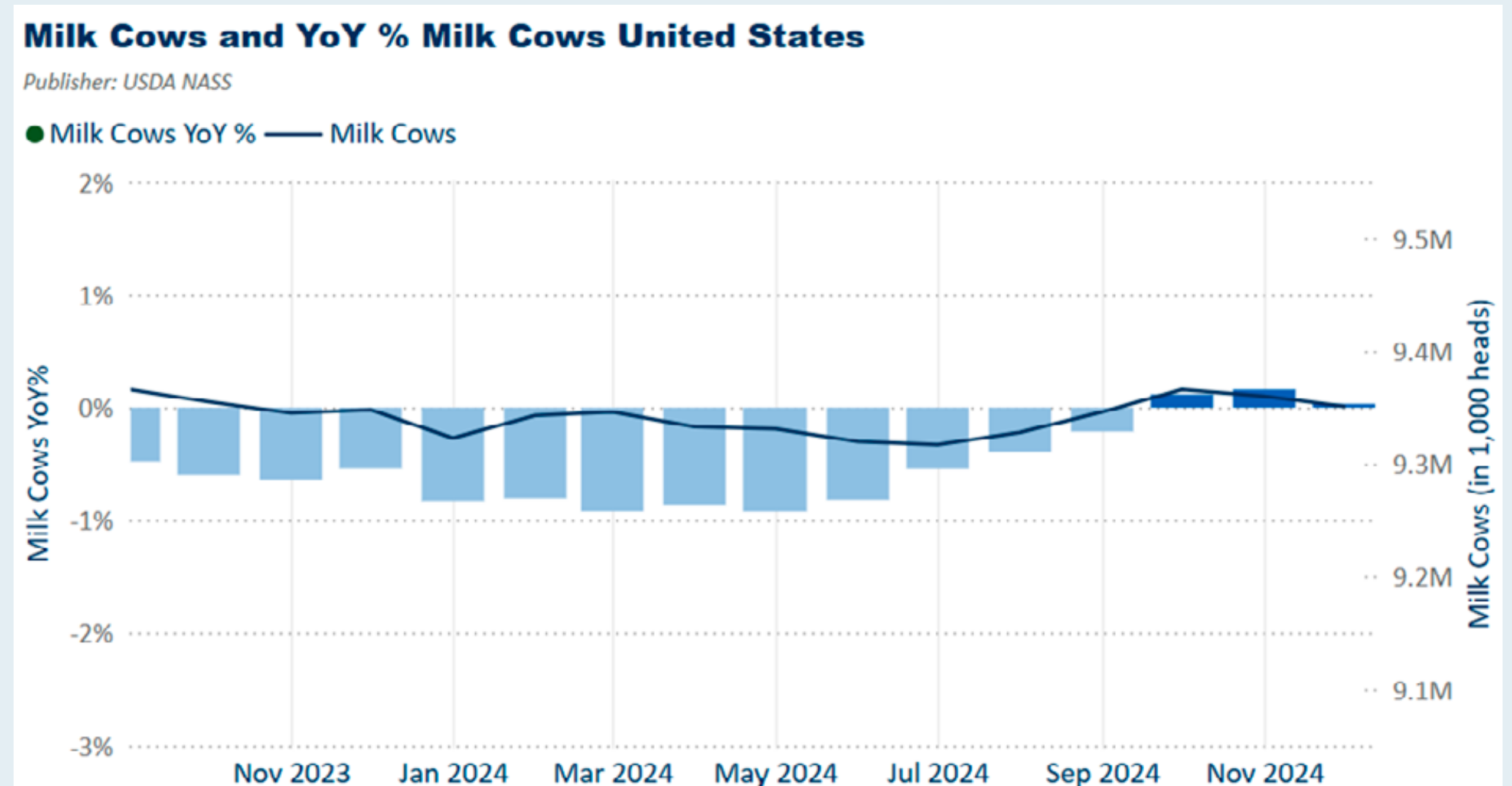
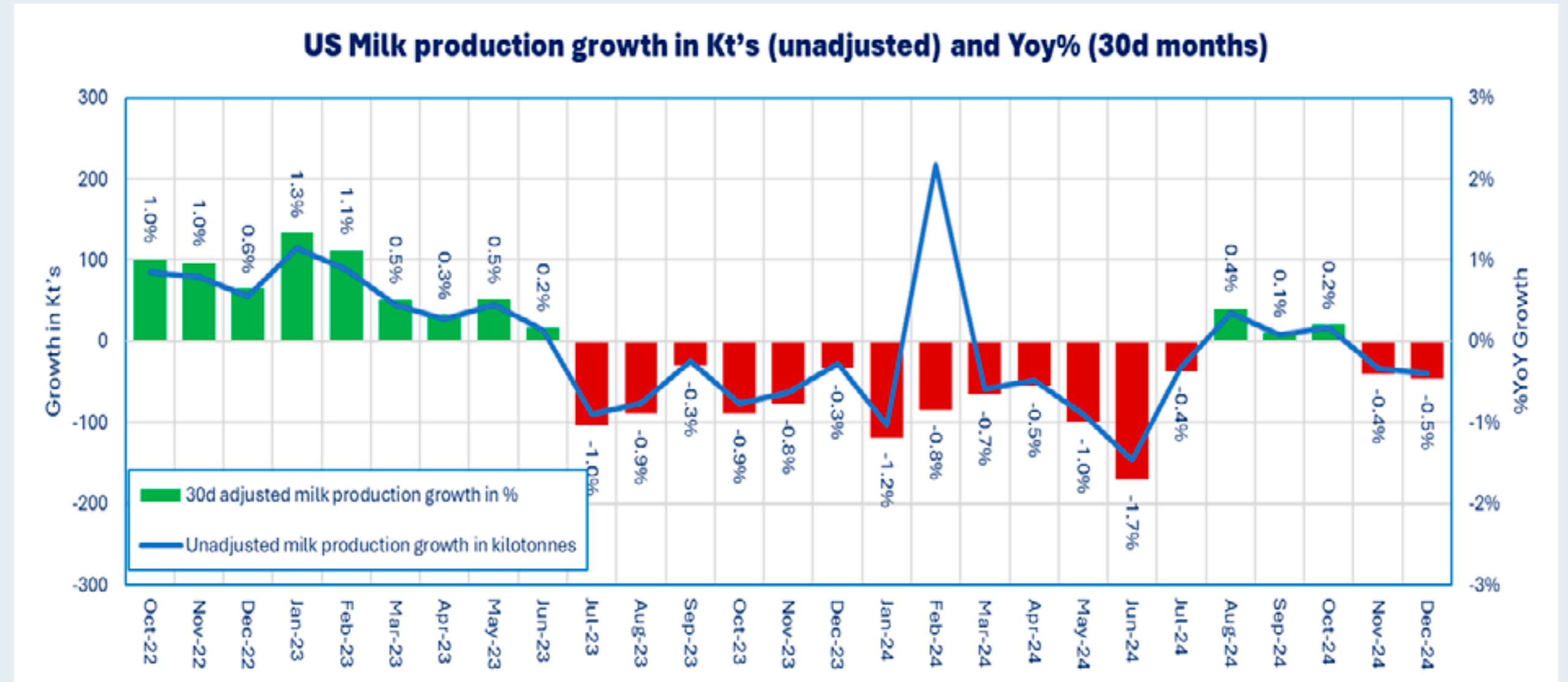
In December 2024, U.S. milk production declined for the second consecutive month, largely due to the effects of Avian Influenza (Bird-flu) in California. The herd was reported to be up YoY (+0.03%), production per cow is down (-0.49% YoY). While California's production increased slightly month-over-month, it still saw a significant 6.8% year-on-year drop. The overall decrease in December was driven by reduced productivity and a decrease in the U.S. dairy herd by 9,000 cows compared to November, though herd numbers remained slightly higher than last year. Meanwhile, the Central U.S. saw growth, particularly in Texas, Idaho, South Dakota, Iowa, and Colorado. November's revision stood out, with the USDA increasing milk output by 110 million pounds, especially from California and Idaho, changing the -1% figure into a -0.4% YoY reduction. Note Bird-flu risks aren't off the table yet.

Continuously strong solid levels

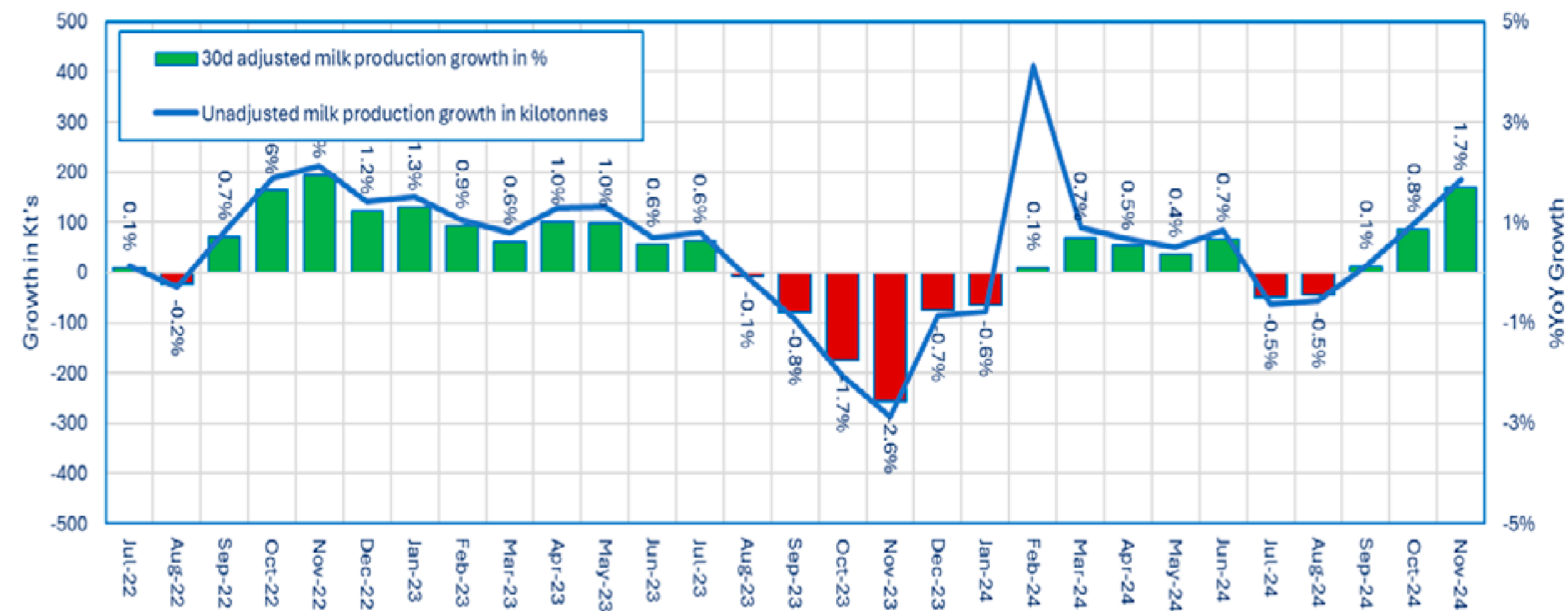
Fat levels came in at 4.43%, which was a 0.1 percent point growth over the levels of December 2023 obviously leading to stronger solids production. While final figures will not be available until the end of January, reports suggest that, while milk production was lower (-0.5% for the full year) butterfat production in 2024 will exceed the previous year by 150-160 million pounds, potentially yielding an additional 190ish million pounds of butter (for context, in reality, Butter is not the only product obviously). Protein levels also kept going strong, at 3.45%, up from 3.4% in the year prior.



[more →](#)



EU-27 Milk production growth in Kt's (unadjusted) and YoY% (30d months)



→ continuation

EU Milk Production

November 2024 milk production in the EU-27 should come in at 1.7% YoY. Fat levels are stronger, but protein levels were slightly weaker than November 2023 and flat compared to October 2024.

Our previous outlook noted supply-side worries on the short term due to Blue Tongue (BT). We assume spreading has stopped for now, but the issues with herd management due to the mortality rate remain. It pops the question how farmers will approach BT if it comes back during the spring.

Margins for farmers are profitable, with an average 53+ cents farm gate price and 20% lower feed costs compared to last year. (SMP+Butter equivalent price still gives room to increase (to 56ish cents).

Fat levels improved in August and September, October and November (4.29% in Nov. 2024 vs 4.27% in Nov. 2023).

Ceiling: Speaking of herd; Pre-BT June reports saw stronger than average decreases in Germany, Ireland, NL, Denmark, Belgium. The top-12 producing countries together lost 2% YoY, vs. a 5-year average of -1%. Mostly in West-Europe.

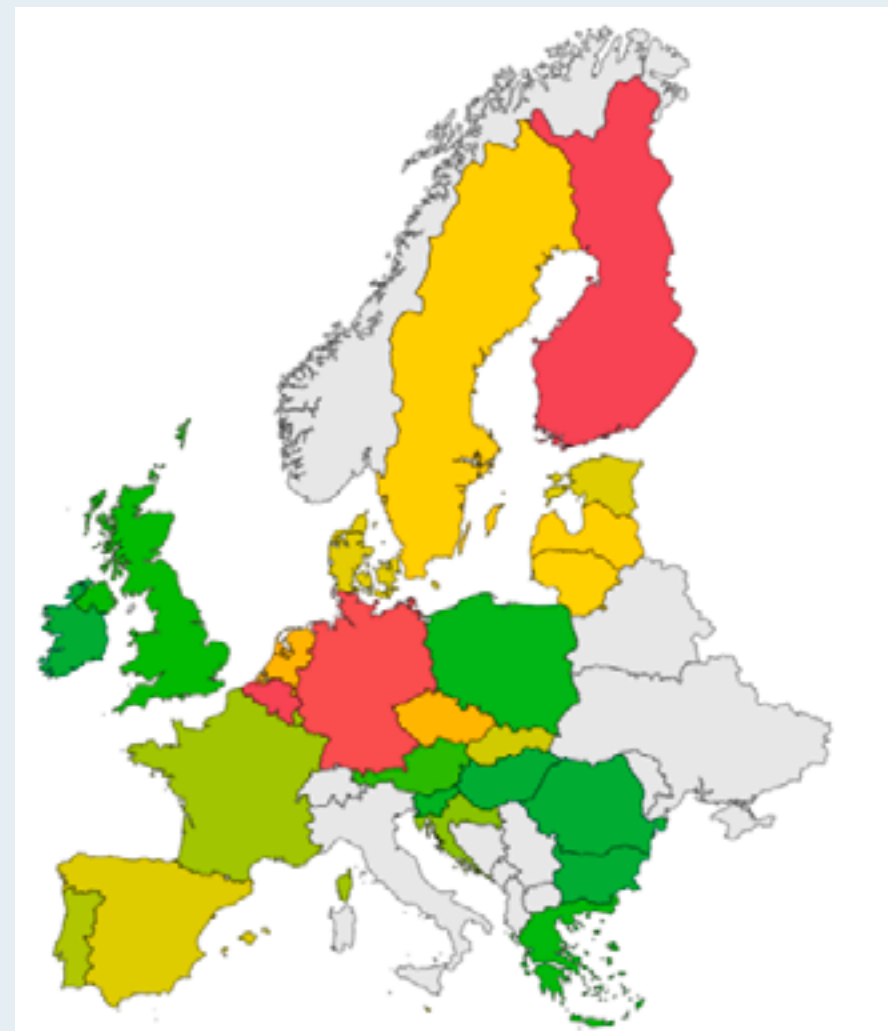
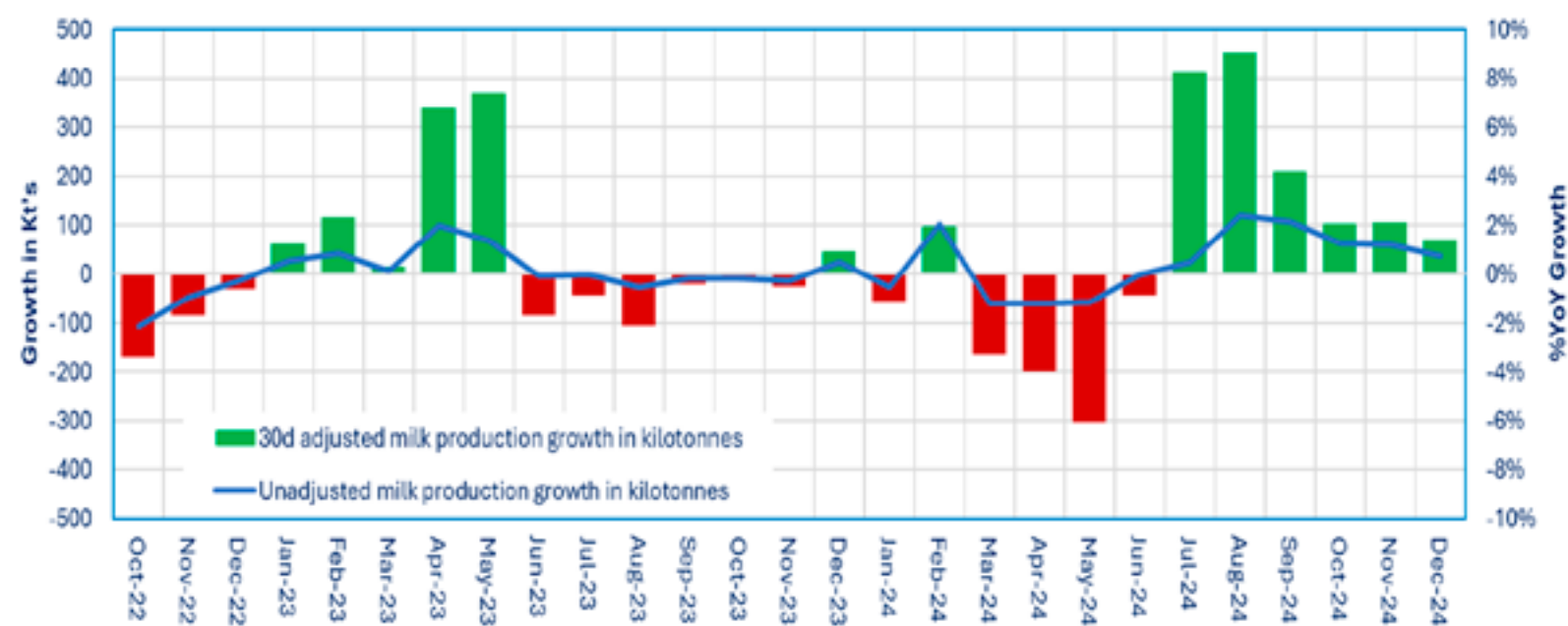
Weeklies: UK registered strong +4 +5% growth, Germany was weaker than last year around; between -1.5% and -2%. France had a positive Oct/Nov due to very weak basis but is currently in mild decline.

Note: There are a few detections of BTV-3 disease in Poland that could very well spread on rising temperatures neutralising potential milk production growth.

New Zealand Milk Production: A continuous positive standpoint.

New Zealand milk production for October 2024 was up 2.8% YoY. November saw 2.7% YoY growth. December saw 1.4% growth YoY. Arguments for the continuous positive season: Margin: Pay-out for farmers has improved compared to a year ago. A good herd-size; herd at season kick-off was -0.3% YoY smaller, well below the 5y average reduction of 1.4%. Low Slaughter in July (-29% YoY), August (-37% YoY) and September (-14% YoY), November (-18%). October had a small uptick (+8%). All in all around 41k cows slaughtered less, adding a relative positive stance on the herd size.

NZ Milk production growth in Kt's (unadjusted) and YoY% (30d months)



Dairy Deep Dive

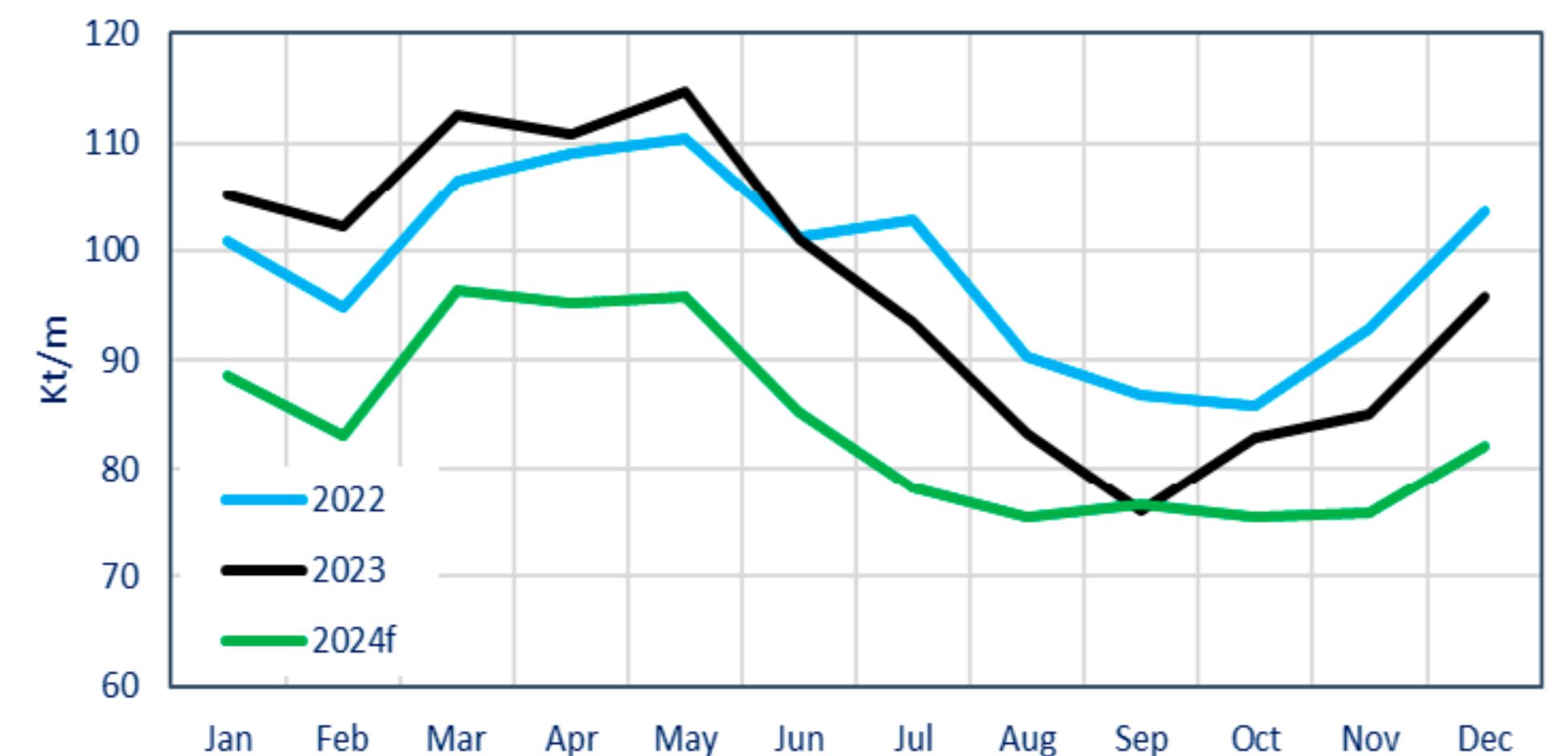
Skimming the Surface: Global Trends in SMP / NFDM.

- US NFDM+SMP Production has been low, particularly SMP. In 2025 more cheese plants are gradually coming online which could shift milk flow from NFDM+SMP towards Cheese. Domestic Use has been very weak pretty much through-out the entire 2024; have a look below.
- EU Cheese+WPC80 Production has a stronger valorisation than SMP+Butter, mostly due to WPC-80 prices.
- NZ's MPC and cheese production should weigh on SMP Production, which is an assumption as NZ doesn't publish production data. Australia has a focus on SMP and less on Cheese but their first 2024/25 datapoints didn't report on increased SMP production yet.
- 2024's import demand was quite bad. US Domestic consumption might have been even worse. On the import demand-side there are some lights though, decreasing Chinese milk production could lead to some more import demand, which could help. SE Asian's economy is looking a little better, and given these are strong takers of SMP in terms of volume, 2025 Global Import demand could be stronger.
- Australia wants to increase production, but exports last year have been very strong and has outweighed production increases so not sure if the Oceanian export availability in Q2 is that strong.

US Domestic Consumption in Kt/m (12m rolling average) in Kt/m



US NFDM+SMP Production in Kt/m



SMP Exports

US: Low H1 2025 Exports?

- We're expecting relatively low exports from the US due to limited export availability. The US isn't very competitive on price.
- On the longer run, there should be a gradual shift towards Cheese due to new cheese facilities that are coming online in 2025 and milk production growth isn't enough to serve all products, limiting NFDM+SMP production growth. But even then, the US has pressure to sell in Q2 to prevent further stock building.

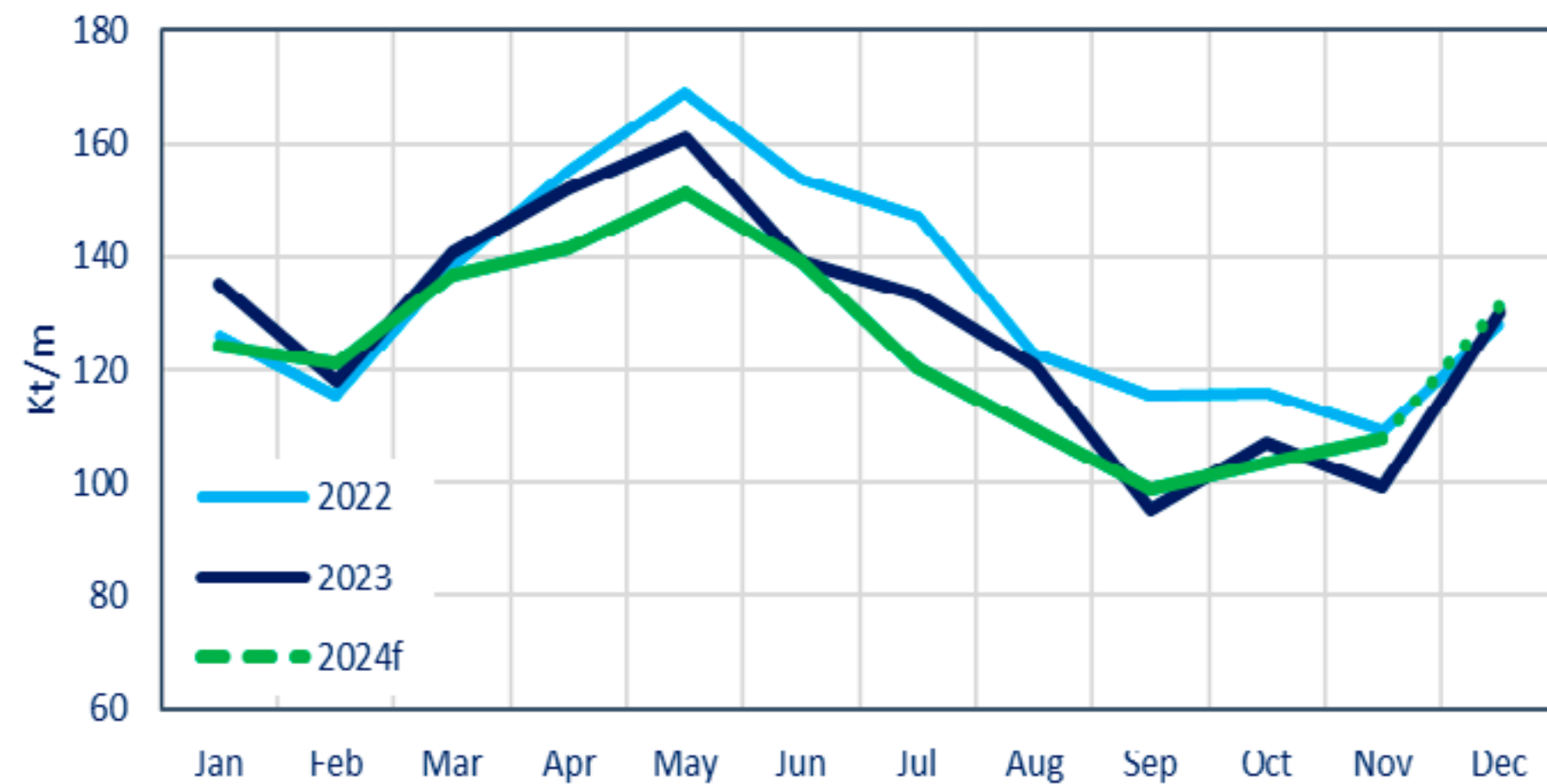
EU: Exports past the bottom?

- A lower US market share could help EU's market share, Europe's share was weak in H2 2024 but they're competitive on price since November, which should be reflected in upcoming exports.
- Though, stronger alternative sources (TUR, BLR) are at play in Europe's backyard.
- If things move forward as thought, NZ+AUS could be on low supplies towards the end of Q2, presenting an opportunity for the EU.

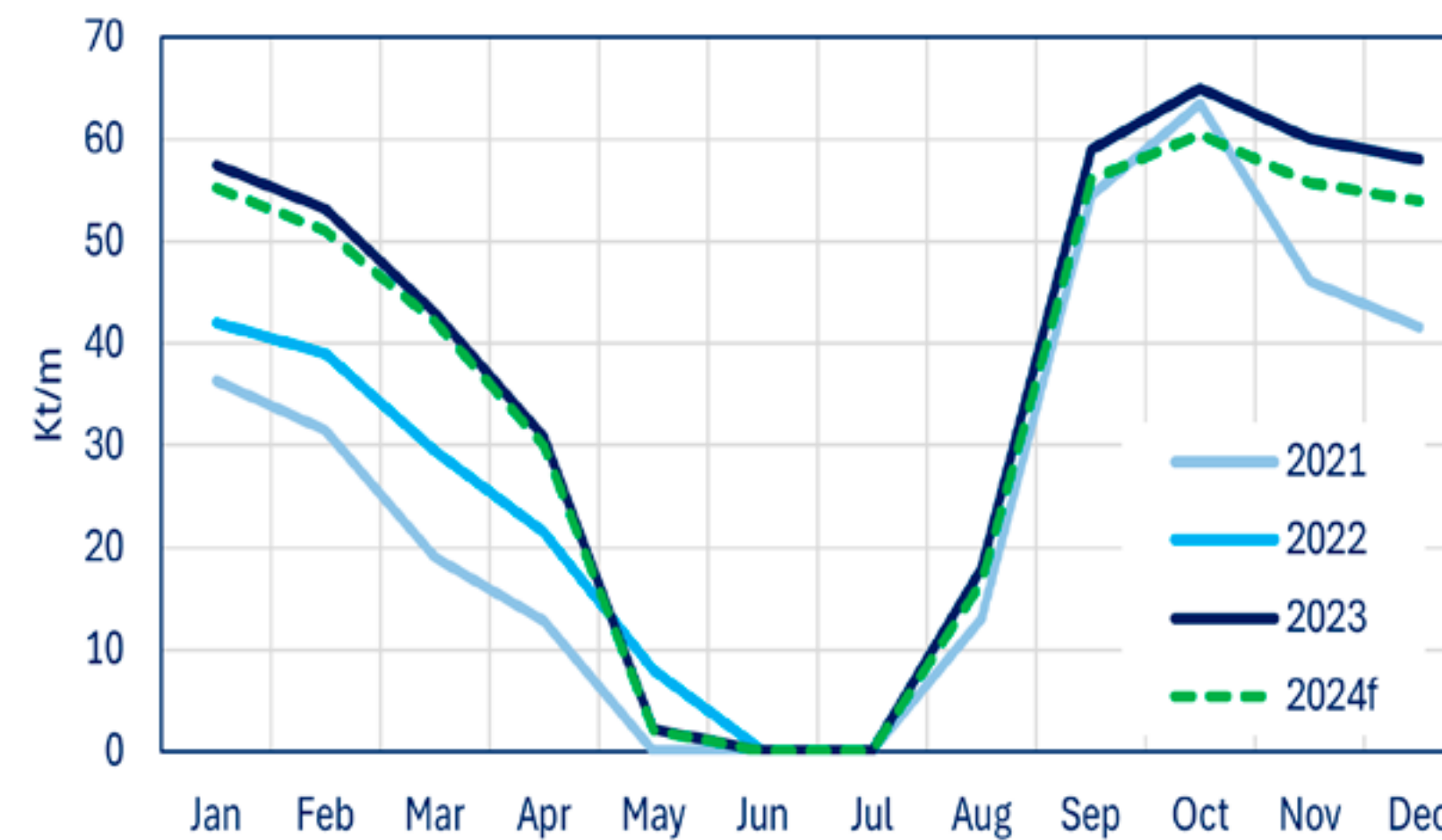
OCEANIA: Tightening supplies?

- Last year, NZ exports were strong but strong MPC exports should limit the export availability for NZ. Australia also had strong exports according to their plan, but exports possible exceeds production which could lead to tighter export availability from Australia (and NZ) towards the end of Q2.

EU-27+UK SMP Production in Kt/m



NZ SMP Production (Estimated) in Kt/m



Bulls vs Bears...

On the bullish side:

- Animal diseases and after-effects of both Bird Flu and Blue Tongue keeps states and countries struggle to ramp up production.
- Foot-Mouth Disease (FMD) still gives issues trading German sourced milk, but the Germans seem to have contained it.
- US Cheese capacity increases could limit the already weak SMP+NFDN Production in the US. This lowers their export availability and could help market shares of others.
- SMP (and NFDN) production in the US and EU is still low. And there is not much room to really ramp up production. Oceania could see lower export availability around Q2 since exports could've outweighed production.
- Global import demand for H2 is expected to be a bit better than last year, in particular Asian.

On the bearish side:

- SMP (and NFDN) Domestic use has been weak; the US has registered very weak domestic use figures (double digit decreases) and the EU is said to be neutral at best. Even though production has been low, the weak total use (exports and domestic) has pulled the stocks above last year's level in the US.
- Cocoa is still expensive, limiting their demand for milk powders.
- Q4 Milk production in the US and EU took a hit due to Blue Tongue and Bird Flu on the short term, but those margins sure look good and those who can should increase milk production.
- Alternative sources (BLR, Turkey, LatAm) are overall seeing better and sometimes very good production figures.

A Quick Note On... WPC-80 & WPI.

WPC-80 & WPI

December 2024 US WPC and WPI Production and Inventories:

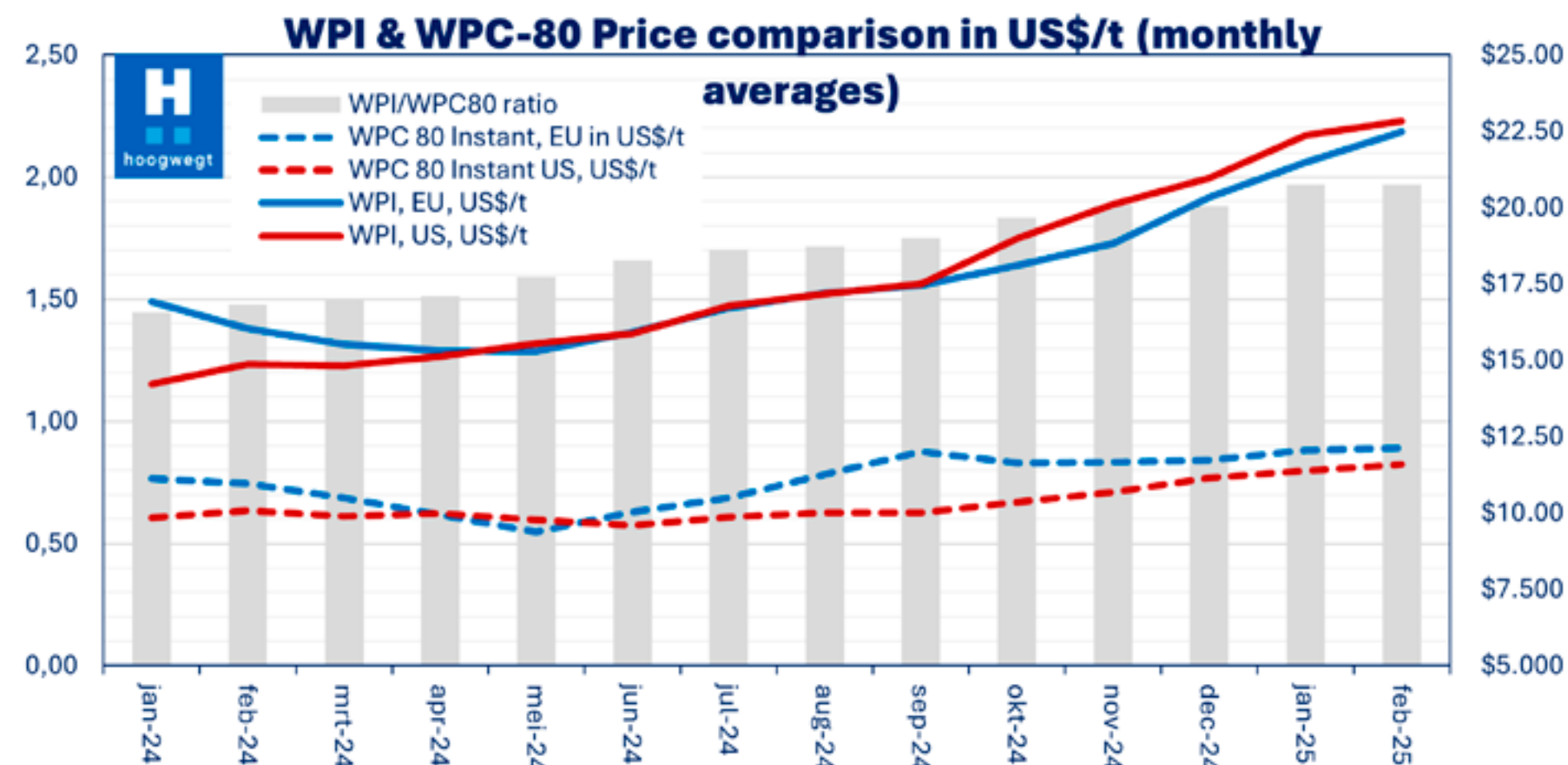
Total Cheese production was down 0.65% compared to Dec 2023. Total Dry Whey production volumes were also down (-4.87% YoY). Dry Whey production for Human consumption was down 4.18% YoY.

- **WPC 25-499%:** Production was 11.426 million pounds and fell 3.85% YoY. Production was below the 3y average of 12.86 million pounds, and registered a decline of almost 6% compared to last published month (November). Inventories came in at 21.768 million pounds, 13.6% below last year, and pretty much flat compared to the month prior.
- **WPC 50-899%:** Production registered 30.196 million pounds and were 6.85% below last year but grew 4.8% compared to last month. Stocks, 34.705 million pounds and thus fell as well, -5.6% YoY.
- **Whey Protein Isolate:** Stronger production, 18.530 million pounds, 18.15% stronger YoY, and more than 15% above the month prior. Stocks were still 2.4% below December 2023 level at 15.881 million pounds.

Note that percentages are adjusted to months of 30 days for comparison purposes.

Demand-Side: Exports

December 2024 WPC shipments may seem fair and not spectacular, but China's demand is significant. In December, the U.S. exported almost 3 kilotonnes to China, a 212% increase from the previous year, driving record year-to-date exports. Meanwhile, regions like Canada and Brazil were hesitant to buy higher-priced protein in Q4.



Market comment:

Leaving the quieter holiday period behind, the opening month of 2025 showed some more action on the high whey protein market. In the first two weeks of January, it seemed that the market was going to make another step up (to \$5.20 for WPC80 instant), with still solid demand for Q1 coverings and limited product available. However, with some of the suppliers catching up on their backlog sales, faster than anticipated, we saw some more product coming available in the last two weeks of January, bringing the market back to December levels, around the USD 5 per pound for WPC80 instant. In Europe, the market continued to strengthen, where sales are being concluded at USD 5.25 per pound levels and higher, keeping the US the most competitive source on the world market. Looking at the months to come, the upside appears to be limited, as we see stock levels are slowly increasing, the new production facilities are now / soon ready to hit the market, and the milk flush is around the corner. For the whey protein isolates, the market today is still trading at USD 10 per pound levels. Interesting to note here is that soft resistance is building in the domestic market. In the export markets, US material is being offered between USD 9 and USD 10 for delivery in Q2. European WPI is valued today in the upper USD 9 levels.



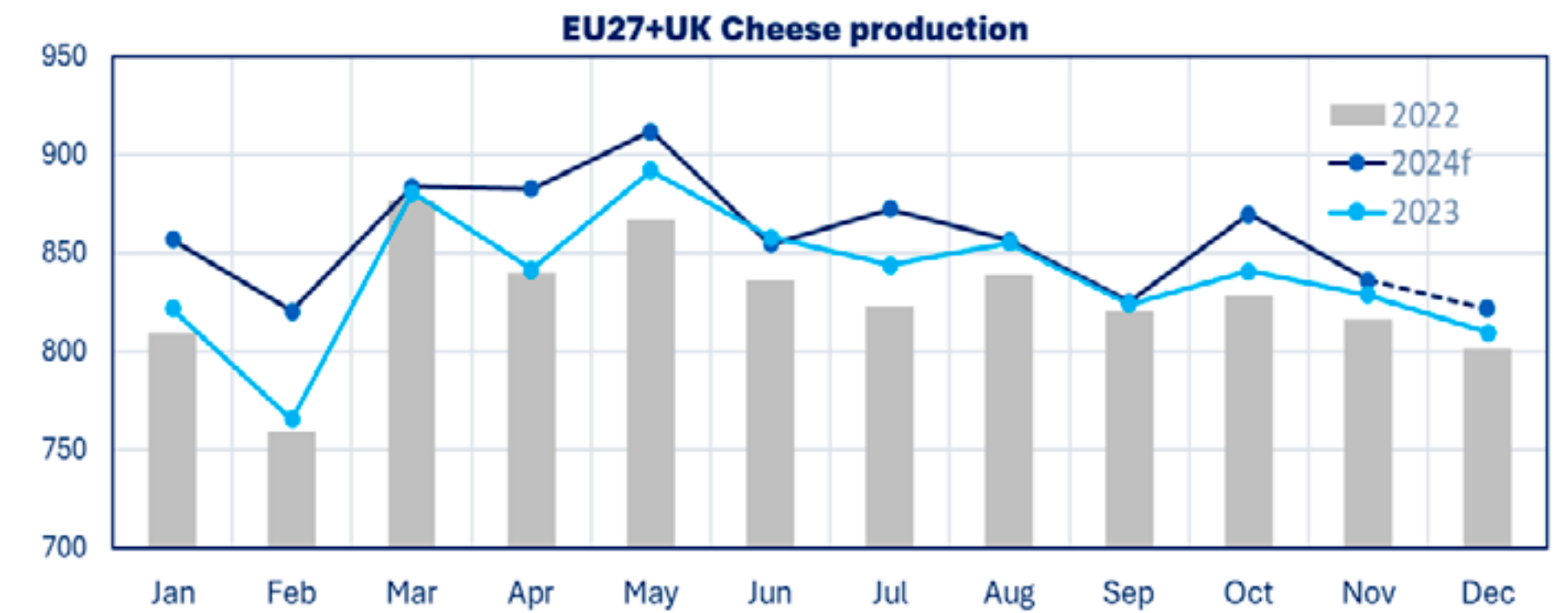
EU Cheese.

EU Cheese Production: While milk production grew, European Cheese production was closer to neutral. On one hand, milk production throughout Europe is a bit of a mixed bag and not every country produce the same relative amount of Cheese, but strong butter prices did SMP+Butter valorization a favor. The SMP+Butter valorization should theoretically still outpace the Gouda+WPC-80, but not everybody can produce WPC-80, so perhaps there can be an explanation in valorization.

Demand-Side

Domestic Consumption: In December's quarterly report European's estimation on September 2024 stocks were lower than the September 2023 level. Meaning stronger demand outweighed the stronger production. Retail data showed close to 2% increase in French and German Cheese retail volumes during the first half of 2024. The next update should be in March and that gives us an update on End of year stocks and consumption.

November EU Cheese exports: Cheese exports showed a slight decline, but this is in comparison to a very strong 2023 performance. Year-to-date (Jan-Nov) exports remained stable compared to the previous year. Exports to the US and Algeria increased, while exports to Canada, South Korea, and Morocco dropped—down 550MT (-13.8%), 753MT (-22%), and 652MT (-30%) respectively.



EU Cheese

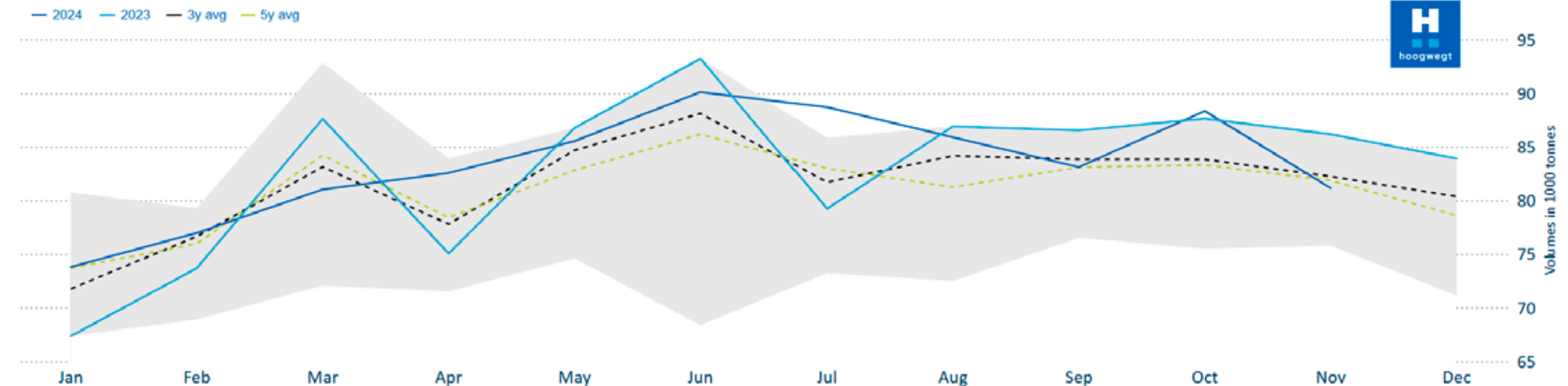
Bearish arguments:

- Q4 Milk production in the US and EU took a hit due to Blue Tongue and Bird Flu on the short term, but those margins sure look good and eventually should lift milk production.
- US and NZ are projected to have production growth. Solids (Fat and protein in milk) are overall stronger than last year.
- Cheese stocks during the last EC stocks estimation were projected to be lower than last year.
- EU isn't the most competitive on Cheddar compared to US and NZ, November Exports were weaker than last year.
- Gradually US sees cheese production facilities coming online in 2025, increasing their Cheese production.
- On the fat side, these strong butter prices usually come with demand destruction.

Bullish arguments:

- Animal diseases and after-effects of both Bird Flu and Blue Tongue keeps states and countries struggle to ramp up production.
- Global import demand has been growing and has been on an uptrend.
- 2024 European cheese consumption was strong.
- European Cheese production was YoY lower during the latest report, which was reporting on November.
- Milk Fat stocks are low, and when Cream demand comes back it could become a driver for stronger fat value

Cheese (HS:0406) exports, European Union (28 Countries), 2024



China's Economy.

Following the introduction of China dairy market in the last edition of Horizons, let's have a look at China economy and retail sales in the past year so that we could understand the demand situation further.

China's economy recovered slowly in 2024 actually, despite GDP +5%. China's manufacture PMI stayed above 50 (meaning expansion) for 5 months among 12 months last year.

Cargo imports and exports remained good in 2024, as well as electricity consumption. Tourism sector recovered very well last year together with the revival of traditional culture. However, the problem of falling real estate prices still need to be solved. Please find the following statistic data as parameters of China's economy.

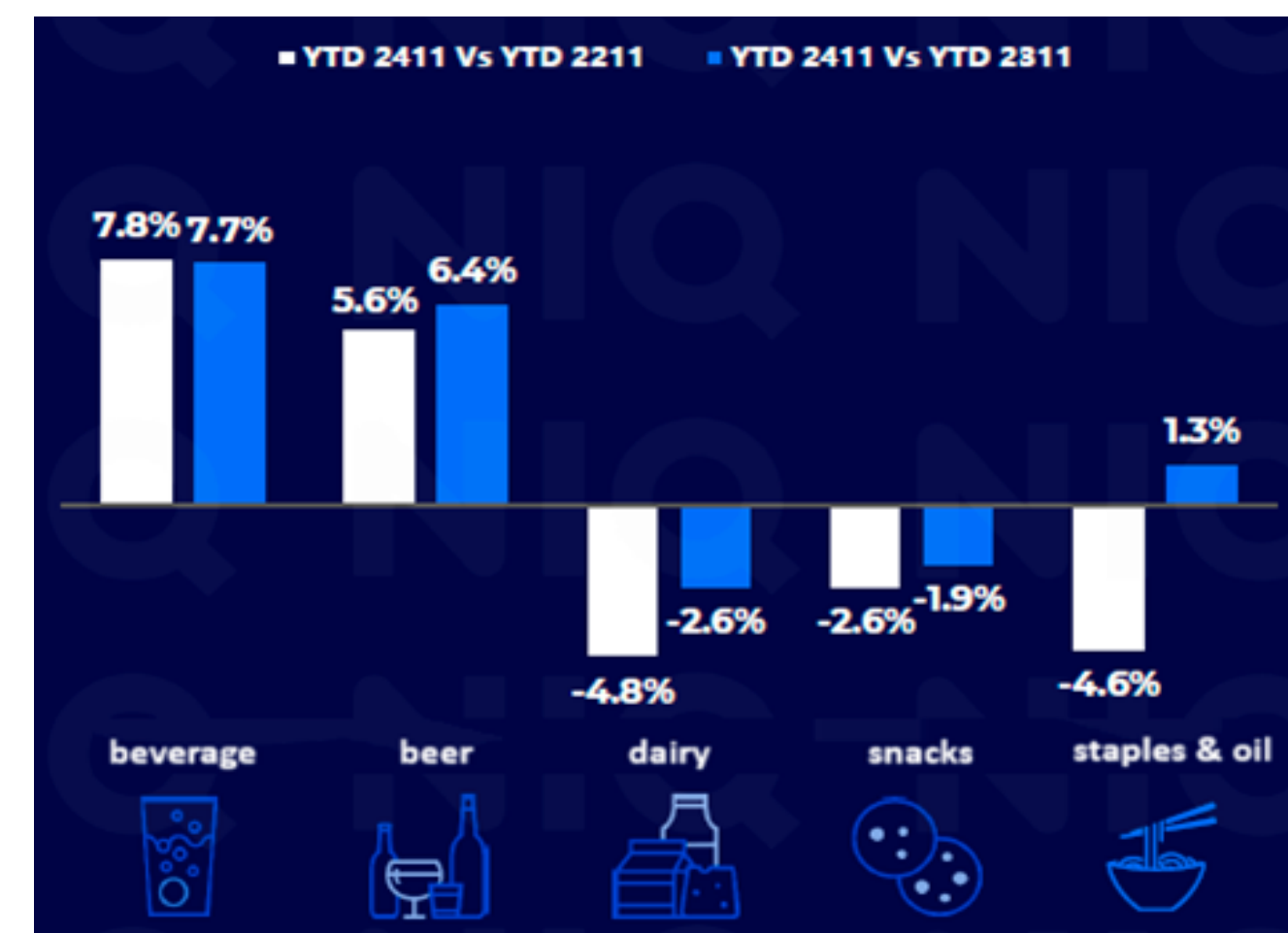
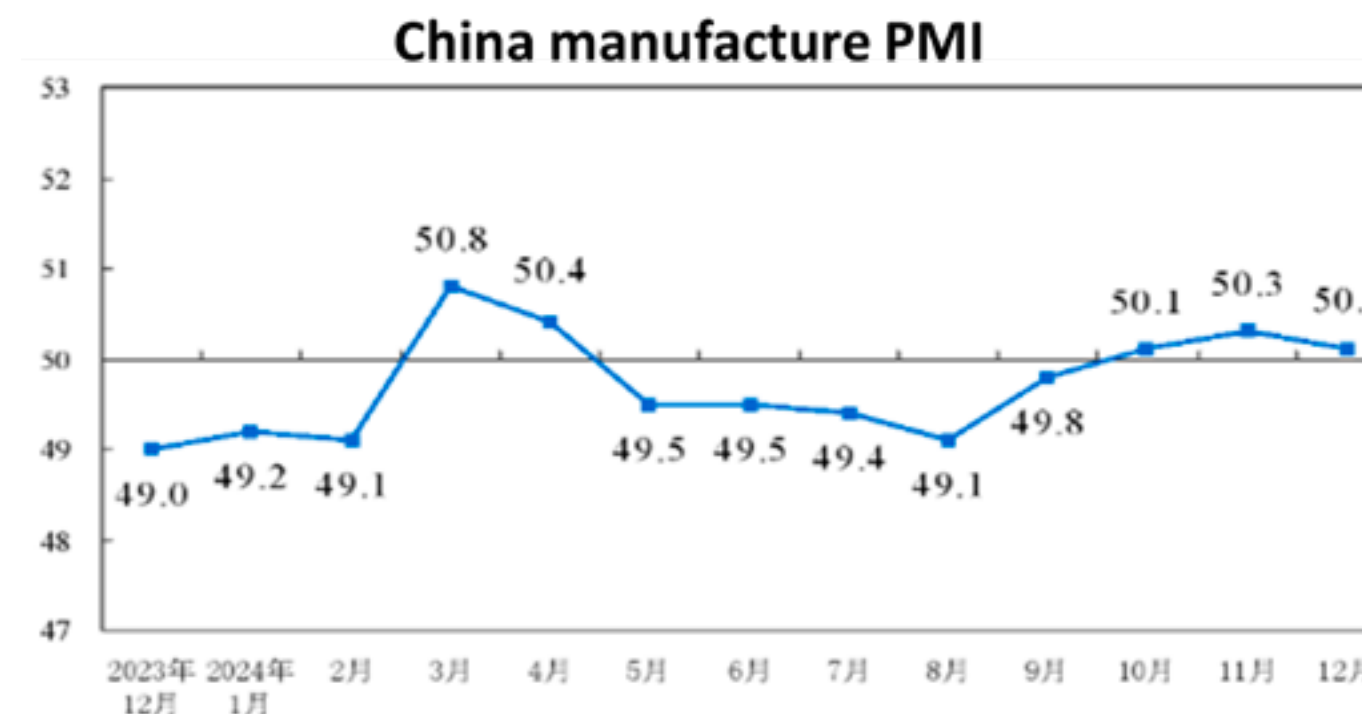
Cargo imports and exports remained good in 2024, as well as electricity consumption. Tourism sector recovered very well last year together with the revival of traditional culture. However, the problem of falling real estate prices still need to be solved. Please find the following statistic data as parameters of China's economy.

- In the whole year 2024, the total value of cargoes China imported and exported increased +3.8%, with exports +5.9% and imports +1.1%.
- Electricity consumption keep firm +7.2% YOY in 2024.
- China's major industrial firms above designated size reported negative profit in 2024, -3.3% YOY, despite of sales revenue +2.1% YOY.
- China's real estate sector recovered a little but is still struggling, and major cities reported falling home prices.
- China witnessed a remarkable surge in both rail and air travel in 2024, +10.8% YOY and +18% YOY.

China's retail sales advanced and food service kept improving in 2024, but retail dairy sales slowed with falling prices in order to promote products. Please find related data as following:

- China's general consumer goods retail sales +3.5% YOY in 2024, +15% on 2019, YTD +3.5%.
- Food service sector keep good performance +4% YOY in 2024, +16.5% on 2019.
- AC Nielsons reported China's FMCG (Fast Moving Consumer Goods including food and family/personal care product, not involving fast growing food service and live-streaming online platforms) sales revenue increased, +2.8% YOY in 2024. Among them, dairy product sales revenue marked negative -2.6% YOY mainly due to falling prices (promotions).

As a conclusion, China's retail dairy sales (mainly liquid products) slid down in recent two years but the recovering food service sector supported the demand for cream, butter, AMF and cheese.



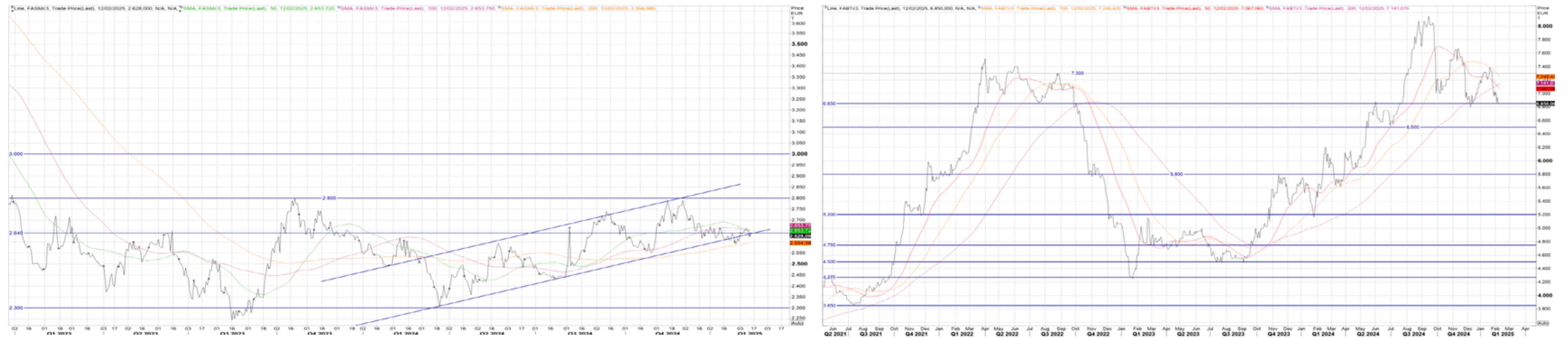
EEX Futures.

By: Joris Thys, Derivatives Trader, HTM

EEX Skimmed Milk Powder: Futures markets have been stuck in a tight range since the start of 2024, with EEX 3-month contracts hovering between 2600 and 2650—hardly an exciting setup. At the end of January, it looked like the bears might push prices lower, but the 200-day moving average proved too strong a support to break. This gave the bulls a chance to regain control. However, the recent rally has lacked momentum, stalling at the 50- and 100-day moving averages. So, it's back to the drawing board. At some point, the market will have to pick a direction, but for now, we remain stuck in an uninspiring 2590–2650 range.

There's much more excitement in the EEX Butter market, where it looks like the long-term bull trend may be behind us. Since peaking above 8000 in Q3 2024, the market has posted two lower highs and two lower lows—classic signs of a downtrend according to Dow theory.

That said, butter is a volatile market, and we're now sitting on a major support level. Over the past few days, trading has been highly active between 6800 and 6850. To confirm a true downtrend, this support would need to break first. Until then, the market remains at a critical decision point.



World Comment.

Natasha Geerman
Global Compliance Officer



I was born on Aruba, a small island in the Caribbean. At 18, I left behind the sandy beaches and sunny weather for new opportunities in the Netherlands. I was raised speaking four languages: Dutch, English, Spanish, and Papiamentu. Papiamentu is a creole language spoken only on the ABC islands – Aruba, Bonaire, Curacao. From an early age, I was encouraged to pursue an international career. Graduated in February 2020, and wow – that’s when everything took an unexpected turn. Moving abroad in search of a better life, combined with graduating during such uncertain times, made the job search challenging. I was seeking stability, so I began to focus on what I used every day, considering those things “stable,” and continued my job search from there.

Fast forward, I joined Hoogwegt on April 1st 2021, as the Compliance Officer for our entities based in Arnhem. It was an interesting time, with the ongoing COVID-19 pandemic, and work-from-home guidelines meant that it took a few months before I could meet all of my colleagues in person.

In less than two months, I was recommended for a second role within Hoogwegt—Trade Support for Hoogwegt Trade Management. Since June 2021, I’ve been juggling these two roles. It’s been a bit chaotic at times, but I’ve found my rhythm. Then, in September of last year, I took on the role of Global Compliance Officer, stepping into a more senior and advisory position.

One of the most rewarding aspects of my time at Hoogwegt has been the opportunity to build and refine our compliance processes. The compliance landscape continues to evolve, and the pressure on businesses to meet stricter regulations is growing. Many people often see compliance as more of a burden than a benefit.

However, non-compliance isn’t just a financial risk—it can also lead to legal penalties and damage a company’s reputation.

Over the past few years, I’ve seen a sharp increase in the focus on KYC (Know Your Customer) and AML (Anti-Money Laundering) regulations. Additionally, a growing emphasis on social responsibility and transparency reporting is becoming a key priority. I’ve also noticed a rising trend of our business partners requesting adherence to their codes of conduct across our entire supply chain, highlighting the broader industry-wide shift towards greater transparency reporting.

These changes have made the compliance role more dynamic than ever, and I’m eager to embrace these challenges while ensuring we maintain the highest standards of integrity and responsibility.



Hoogwegt Happenings.

See you at Food Ingredients China 2025!

Pacific Dairy Ingredients (Shanghai)Co.,Ltd. will be hosting a booth at the upcoming Food Ingredients China (FIC) 2025.

Date: March 14-19, 2025

Venue: National Exhibition and Convention Center (Shanghai), NECC(Shanghai)

Booth Details: Hall 4.1, Booth 41K61

Reach out to your designated Export Managers and we hope to see you there!

