



Horizons.

Our insights
on Today's Global
Dairy Business

February 2024

#02



Page 3

Market Direction

Milk Production: Milking Success for NZ.

[Read more →](#)



Page 5

**Dairy Deep Dive:
Global Import
Demand:
Udderly Average.**

Page 10

World Comment.



Page 11

**Hoogwegt
Happenings.**

Page 12

**Hoogwegt
Dairy Spew
Podcast.**

Editorial Note.

Disclaimer

Horizons is a publication of Hoogwegt Group. Information is gathered from reliable sources but it cannot warrant the accuracy of any of the data in the report.

© Reproduction with permission only.

Ushering in the Lunar New Year!

For all the readers who celebrate the Lunar New Year, here's wishing you an auspicious, prosperous and happy Year of the Dragon!

In this month's issue of Horizons, we discuss the Milk Production situation around the world in our 'Market Direction' section.

Once again, our 'Deep Dive' section will talk about the lackluster Global Import Demand.

We touch a little on Whey as well as EEX Futures (written by Joris Thys from HTM).

Finally, in our "Hoogwegt Happenings" section, we prepare for our 2024 [Gulfood](#) Tradeshow happening 19th-23rd February, Hall 2 Booth B2-45.

We are also proud to present our latest Hoogwegt Dairy Spew [Podcast](#) – Year of The Dragon! Listen now!

As always,

Hoogwegt Horizons Editorial Team

Market Direction

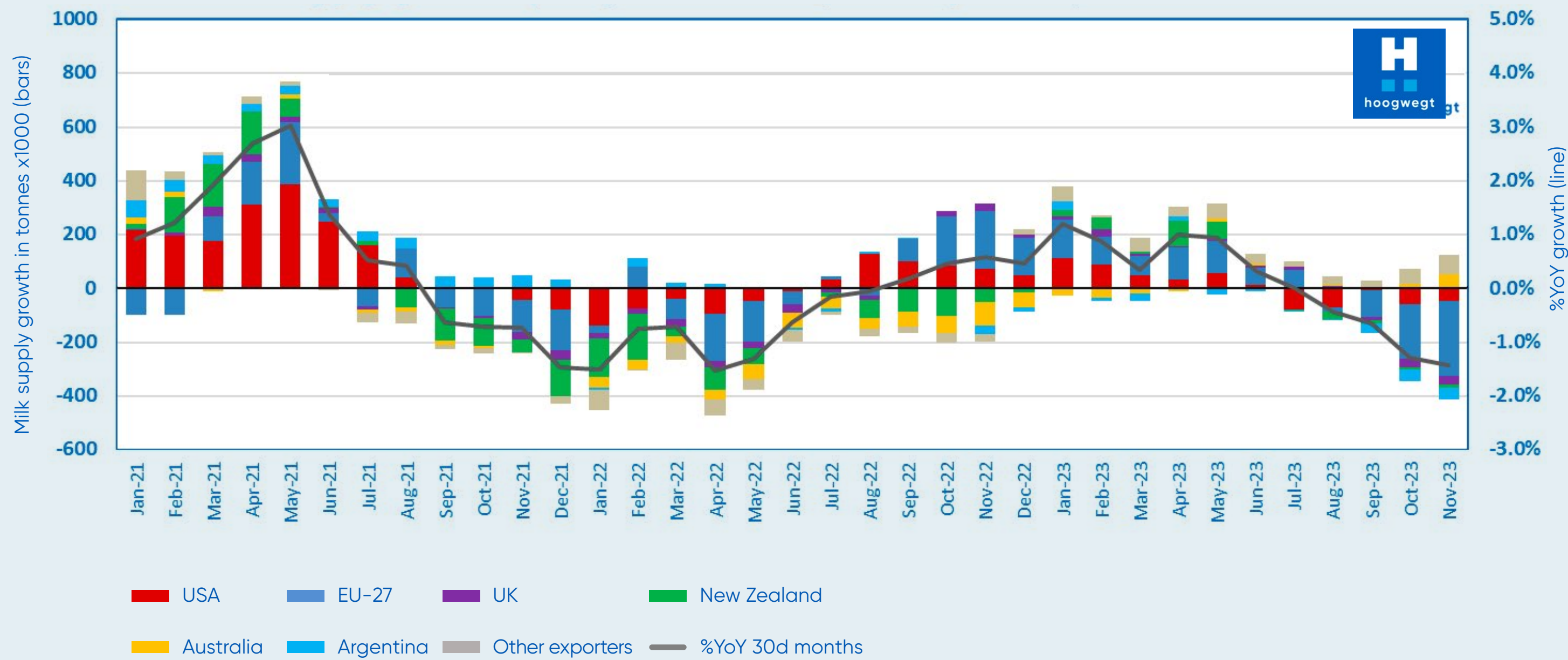
Milk Production: Milking Success for NZ.

NZ: Stronger milk solids production in December (+2.6% YoY), and an increase of milk production in volumes (+0.9% YoY). In the November slaughter report, slaughter in NZ was on pretty neutral compared to last year's figure at -0.29% YoY. We currently assume that the NZ herd size is around 1.5-2% lower than last year. The NZX's milk price projection for the 2023-24 season has risen by one cent after the recent Global Dairy Trade (GDT) event 348, climbing from \$7.69/kgMS to \$7.70/kgMS. Notably, all significant reference products experienced a price hike. In the last (Jan 17th) NZX report on pasture growth, NZX stated that over the past week, New Zealand's pasture growth conditions have seen a slight improvement on a nationwide scale. The NZX pasture growth index (PGI) figures are trending closer to those of 2022 and 2023, aligning more closely with the historical average. Despite the exceptionally dry start to the year, recent periods of rain across the country have alleviated conditions, though the month-to-date rainfall remains below average. It's important to note that this time last year experienced unusually high rainfall, particularly in the North Island. Specifically Q2 2023 had some very hard to beat conditions, as they were excellent last year during that quarter.

[more →](#)



Milk supply growth (YoY) from the Top-13 Exporters, in 1000tonnes.



→ continuation

US: Just published their December 2023 milk production report and milk production in the US is still behind last year, -0.3% YoY. Margins are still in the twilight zone, because slaughter levels are low, but the addition of new cows is low as well. Yield per cow is slightly up from last year (+0.1%) but the herd size is still smaller (-0.42% YoY), leading to a lower production compared to December 2022.

Europe's latest official report for November is out for EU-27 + UK. This is down -2.6%, slightly lower than what we'd initially forecasted.

Outside the top-3 of exporters Australia continues to beat the weak period they saw last year and registered a +6.3% YoY increase in November. While Argentina continues to find it difficult to beat last year, December registered a whopping -7.7% YoY.

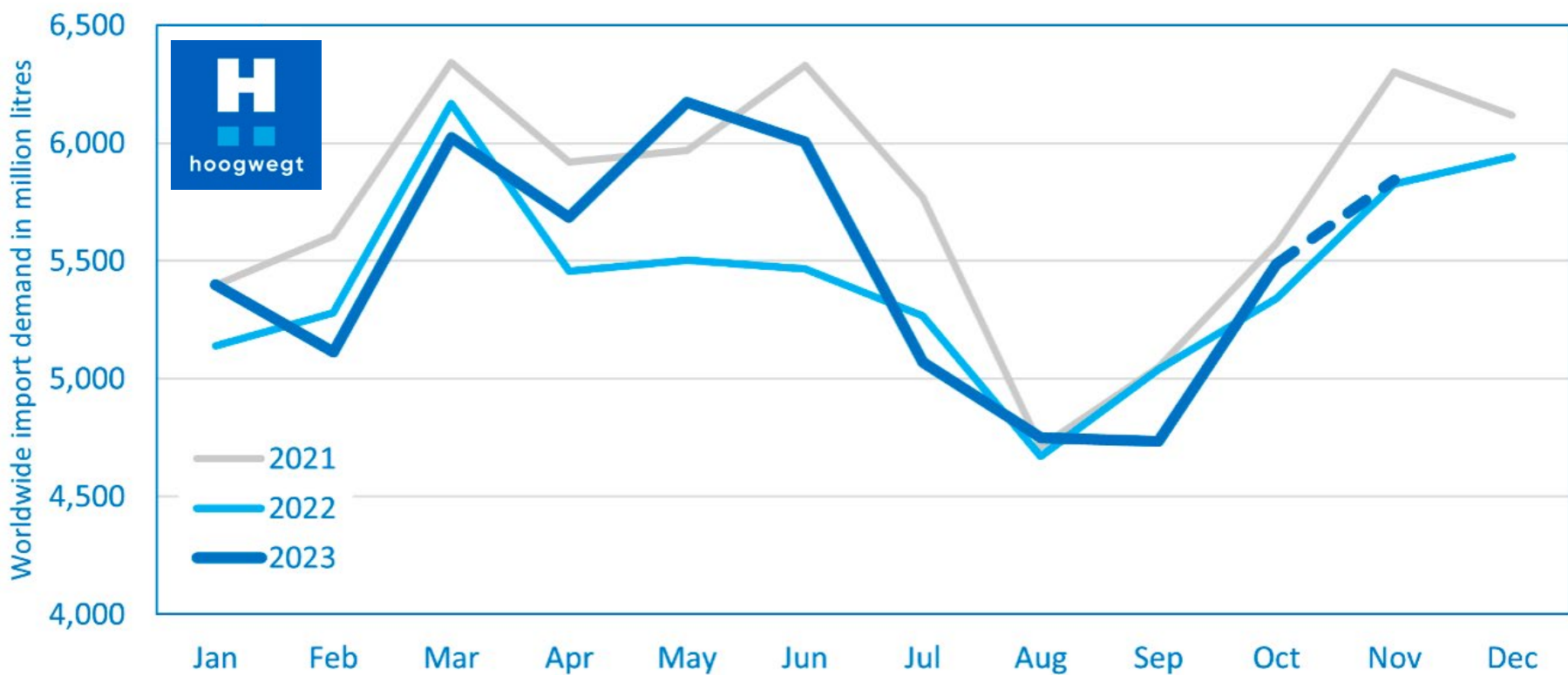
Dairy Deep Dive

Global Import Demand: Udderly Average.

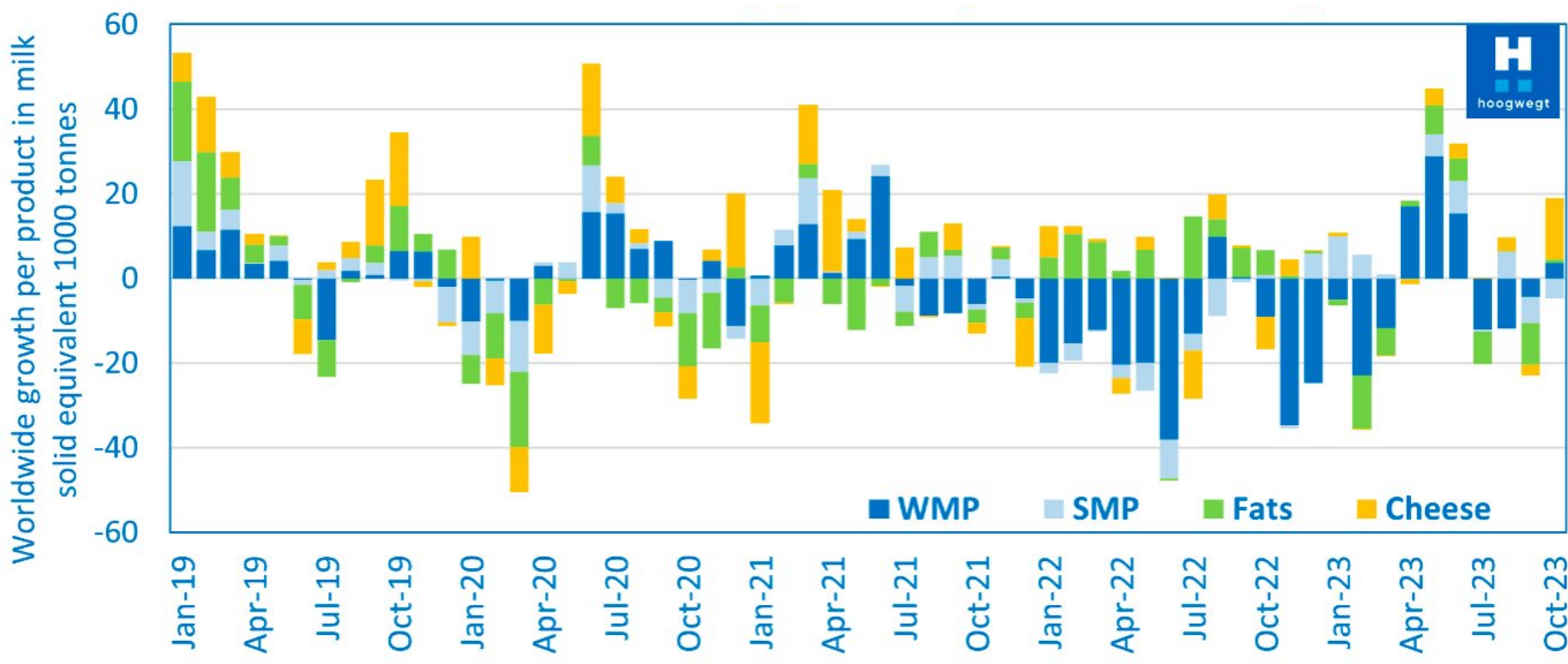
Of all major dairy products, Cheese maintained a strong demand in October. Best performer of the four, with butter (-fats) being neutral and powders struggling. A correction compared to last month led to a slightly positive global import demand in milk equivalents for SMP+WMP+Cheese.

2021 was a very strong year in powder demand, and all comparisons to 2021 show weak demand. One could see 2021 as an outlier, but even then, the SE Asian demand for SMP only was at the same levels as they saw in 2014-15.

Cheese + SMP + WMP ME global import demand in million litres

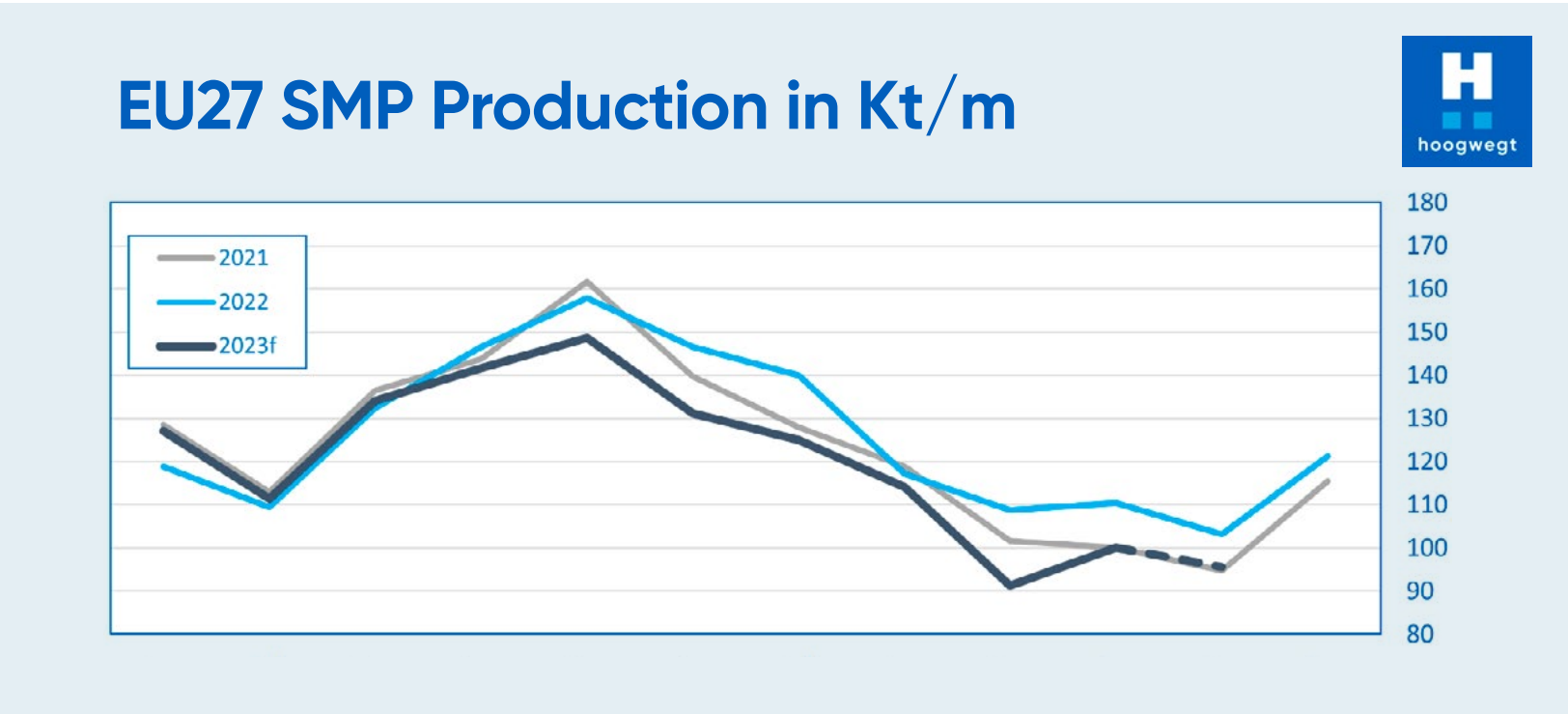


Growth in MSE trade by product (in tonnes x1000)

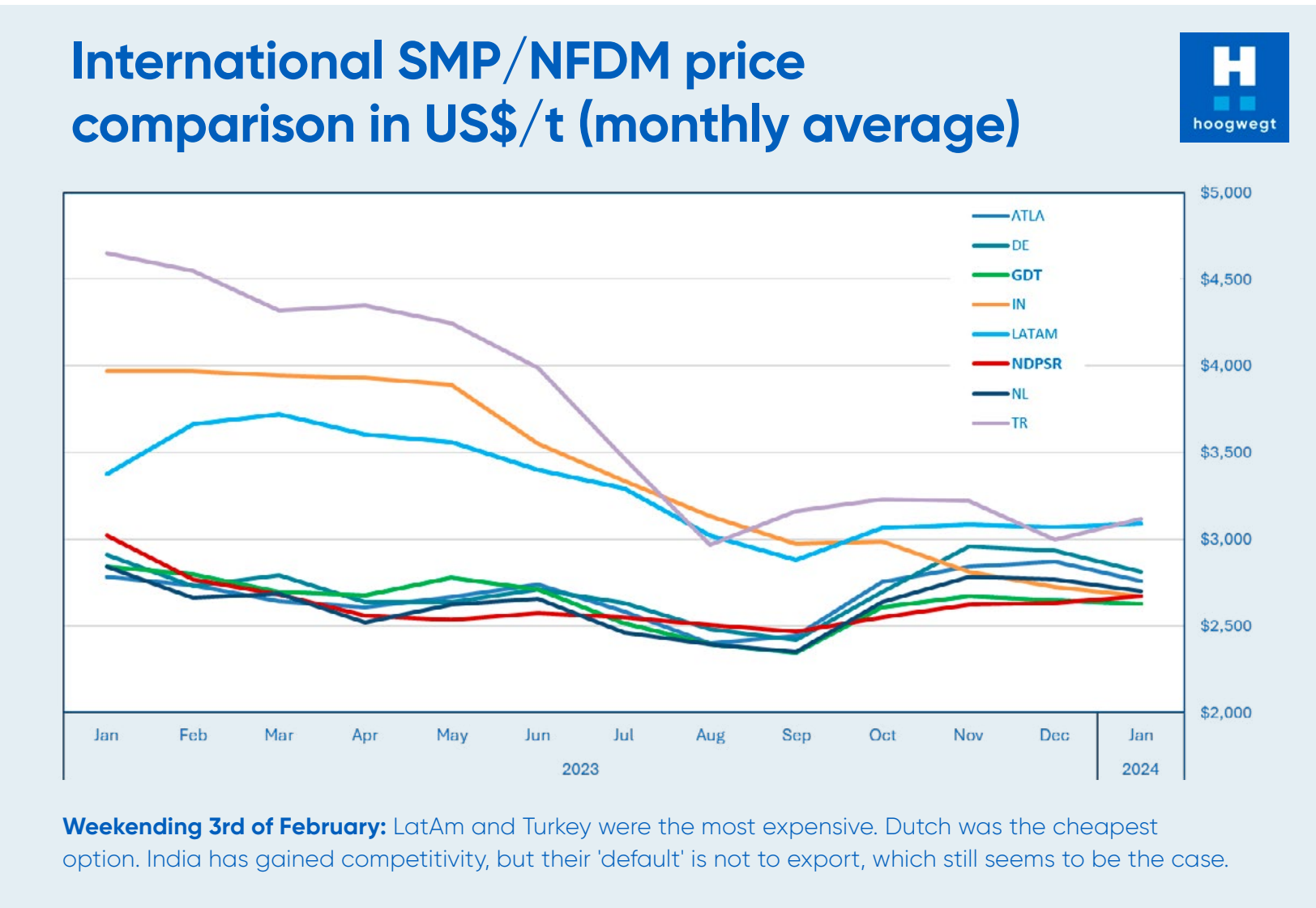
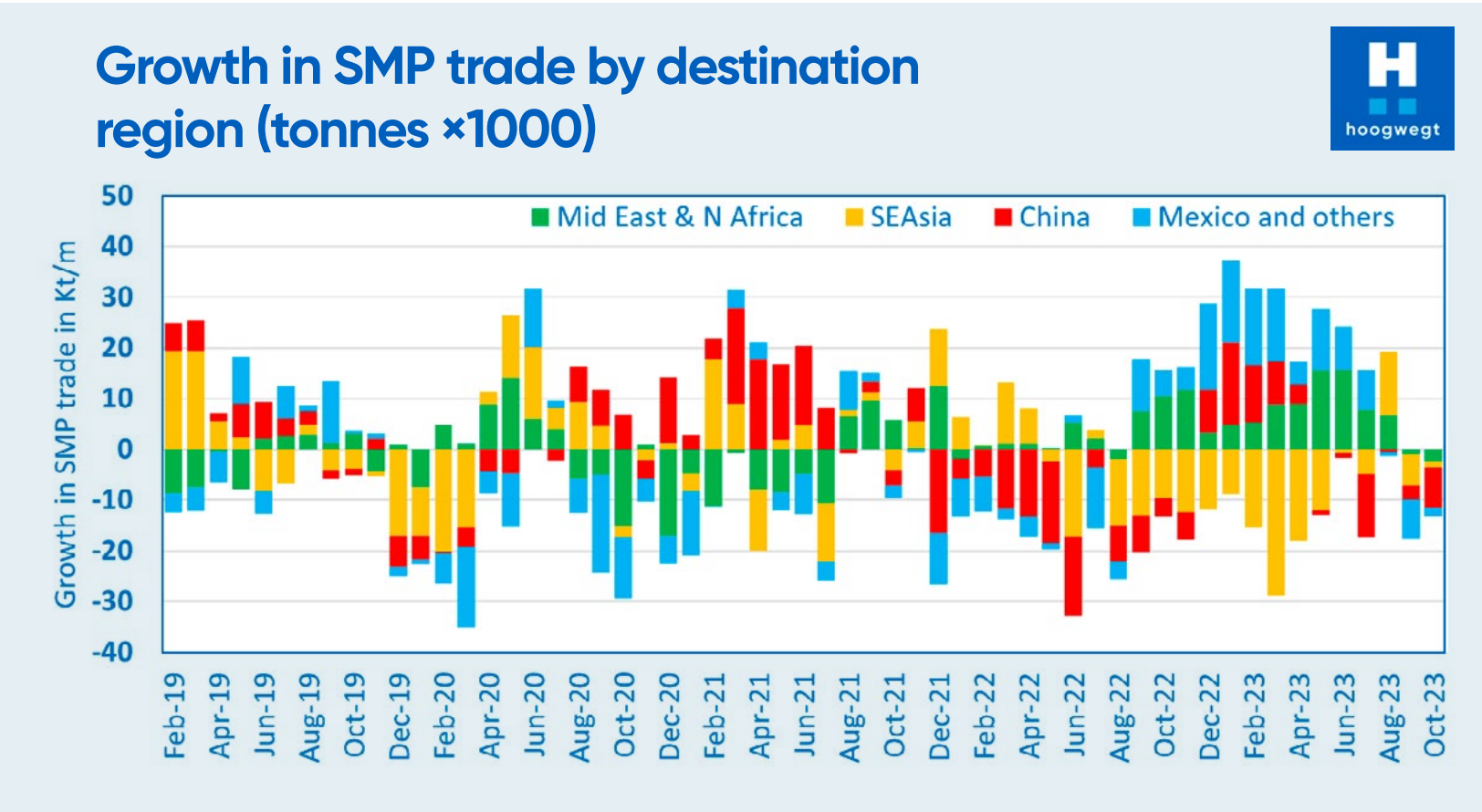
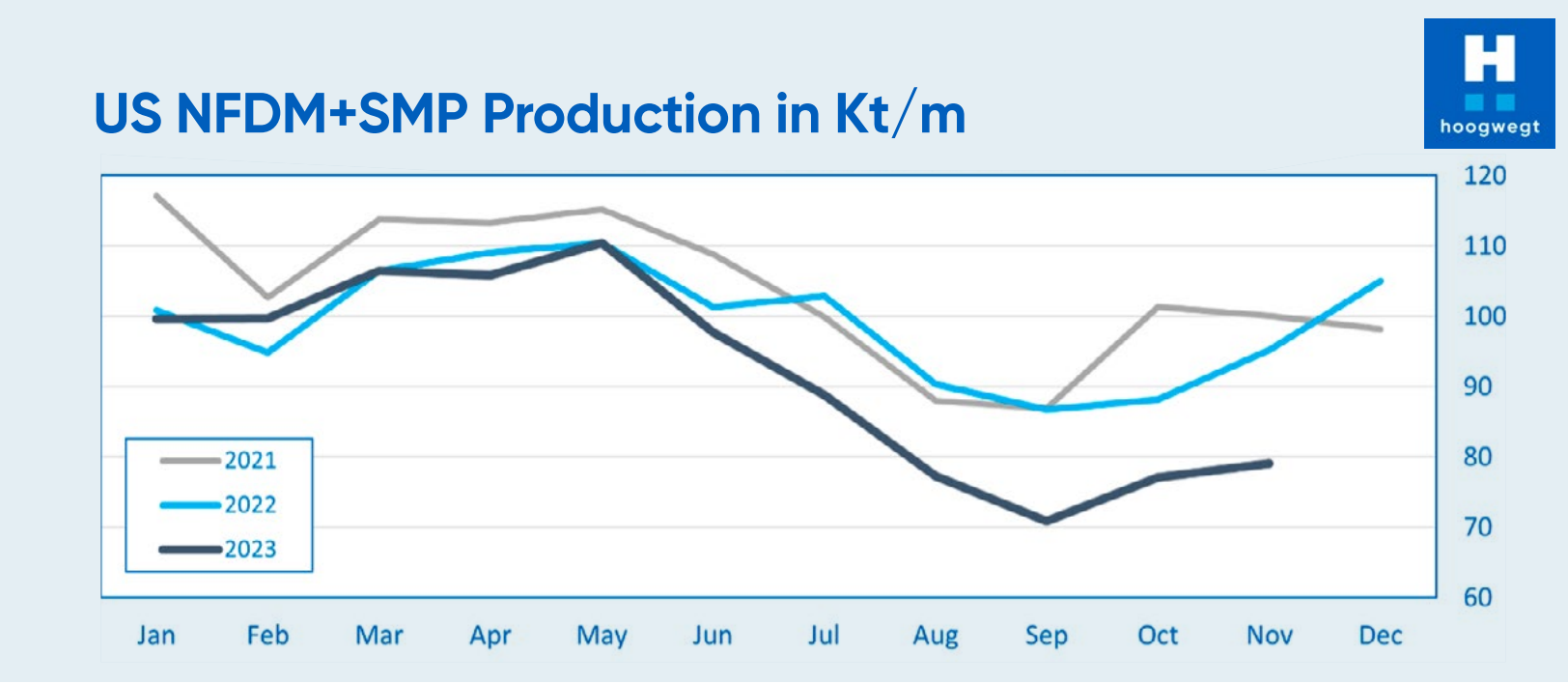


SMP/NFDM

European production of Skimmed Milk Powder did hit a low point in September, and as one could read in our previous edition, October didn't look great either. The official European number for November isn't known yet, since Ireland and Germany are still pending, but a lot of countries who did report are continuing their negative trend compared to last year. Of course, November had an even stronger argument in the lower milk production; and the favourable Cheese production argument in terms of valorization was also valid. Without Germany and Ireland, production calculates to around 58Kt for November, if one estimates Germany and Ireland November production should be in the 95-100Kt area. Still not enough to build stocks as exports, while low at 52Kt, and domestic use total to around 115Kt. Then again, it's normal for November not to build stocks.



The United States experienced several months of reduced production for Skim Milk Powder (SMP) and Non-Fat Dry Milk (NFDM). California milk production continues to struggle and wrote another negative number (-1% YoY) for December. Exports to SE Asia struggle due to low demand and competition from NZ. It's still rational for NZ to have a bigger share of their milk flowing towards SMP, and they have had a continuous incentive to stay competitive to get rid of the available product.



Weekending 3rd of February: LatAm and Turkey were the most expensive. Dutch was the cheapest option. India has gained competitiveness, but their 'default' is not to export, which still seems to be the case.

Bulls vs Bears...

On the bullish side:

- Milk production struggles across the Top-3 exporters, although NZ finally wrote a positive volume number for December, they should have a difficult time writing a YoY positive Q2.
- Domestic consumption and use is still pretty firm.
- Cheese exports out of Europe have been fair.
- Farm gate pay out prices aren't expected to see very strong increases and with Europe continuing to face structural issues in milk production huge increases in milk production are not on the radar yet.
- SMP and Butter production has been quite low, while butter consumption actually has been fair.
- Low SMP/NFDM stock levels in EU and US.

On the bearish side:

- Japanese, Korean and SE Asian demand has been low.
- Milk solids are overall strong.
- SMP stocks might be low, but reported Butter stocks in EU are relatively high, and butter prices came off. Production is still relatively low, also note the seasonality in Butter and the correlation with cream.
- Cheese production is still relatively firm.
- Europe is getting into season, so there should be more production of milk and SMP, taking away part of the 'lack of supply' argument.

Things we watch:

- Geopolitical turmoil and governmental policies.
- NZ milk production, El Nino and product mixes.
- Still high cocoa prices giving issues for multinationals to sell volume, that affects their need for SMP.
- Volatile currency rates and foreign exchanges.
- Logistical issues (Red Sea)

A Quick Note on...

Whey

Global supply

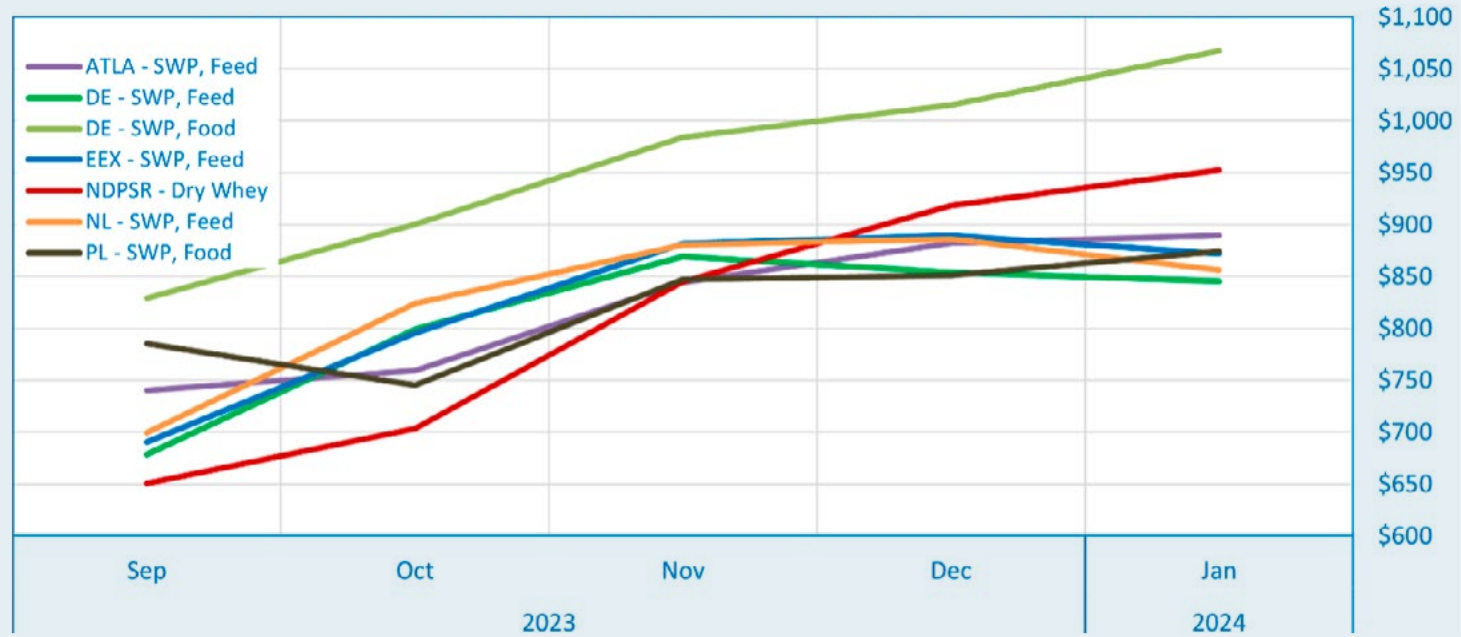
- EU27+UK Milk production latest official; Oct: -1.8%, since most individual countries have reported November, the eleventh month is projected in the -2 to -2.5% area. Latest weeklies: UK (Week 2 '24): -0.5%; FR (Week 1): -1.4%; GE (Week 1): -0.5%. Note that ZMB reported a stronger negative -2.2% YoY average for Week 1 + Week 2.
- Farm margins are negative compared to last year, but looking better compared to last summer. EU average farm gate milk prices up (45.45 c/kg) in Nov 2023; +2.4% MoM but -21.3% YoY; estimated price for Dec: 46.14 c.kg (+1.5%); Doubt if there is much room for improvement since commodities also didn't firm much in the past months.
- Cheese production in Europe is still going strong, as it's also the most favourable major dairy product in terms of valorization. Most of the countries have published their November Cheese production and were positive (YoY) on less milk, but important exceptions are France and the Netherlands, losing close to 9kt and 7kt respectively, so Europe as a whole could be closer to neutral compared to November last year.
- US Milk production saw another negative number for its milk production in December (-0.3% YoY). Yield per cow turned positive compared to December 2022 (+0.09% YoY) but the herd remains smaller (-0.42%), while slaughter continued to stay in the low numbers, the herd still hasn't recovered the losses that were registered across the summer as heifer numbers still seem to be low. Farmers margins in general weren't strong enough to replenish as strong as last year.

- NZ Milk production wrote another positive milk solid in December (+2.6% YoY) before the very hard to beat second half of their season starts. Even in volumes, NZ turned positive (+0.9%). Pasture has been a bit of a mixed bag but so far isn't looking depressing, although the Q2 2024 figures will still be very hard to beat.
- US Dry whey report for December is still pending. November was very weak. Seasonally December should be a bit better but the expectation is it's still down compared to Dec 2022.

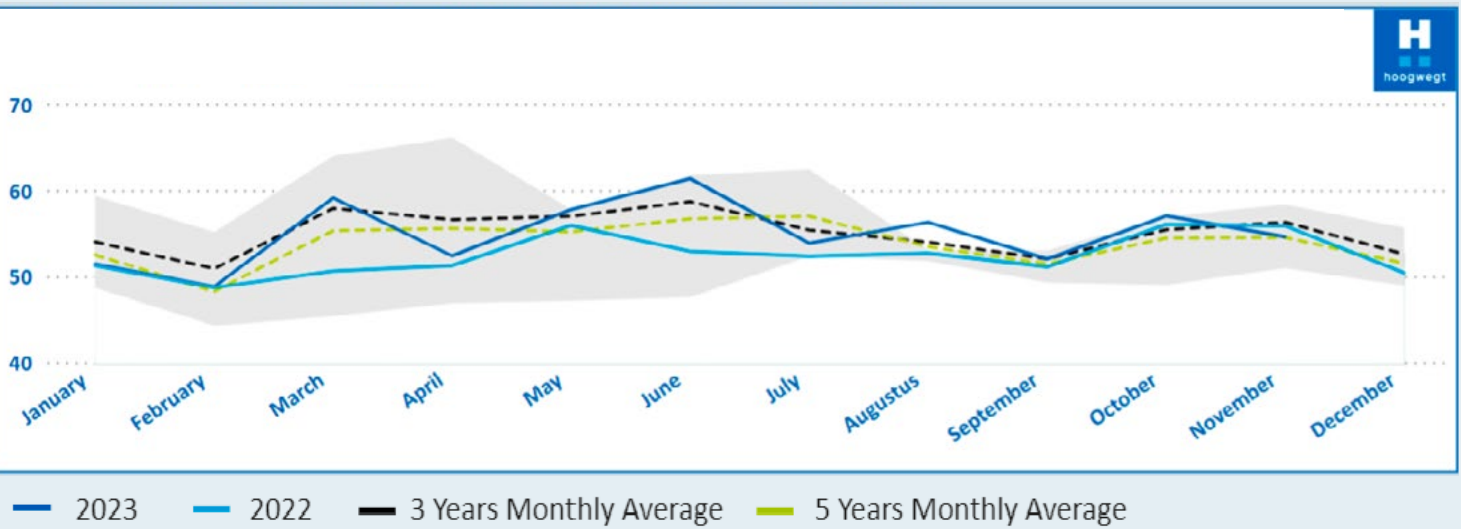
Global trade

- November EU-27 Exports of whey products (HS040410) out of Europe came out weaker compared to November 2022, calculating -1.3Kt YoY.
- US Exports: In November, sales of dry whey (040410) registered another negative month compared to last year. November US shipped almost 44Kt, compared to a little over 50kt last year, US domestic use has been very strong for months now, so the total commercial disappearance (trade+domestic use) has been strong.
- Chinese imports for December: Chinese whey imports were a bit weak, compared to last year the general category Whey products lost 2.9% YoY and totalled 56Kt. WPC80+ import lost a third compared to last year, at 2.4Kt.
- Globally speaking, 2023 was a bit weaker than 2024 in terms of import demand. With some reports still pending the loss should be in the 75-100Kt area for the year.

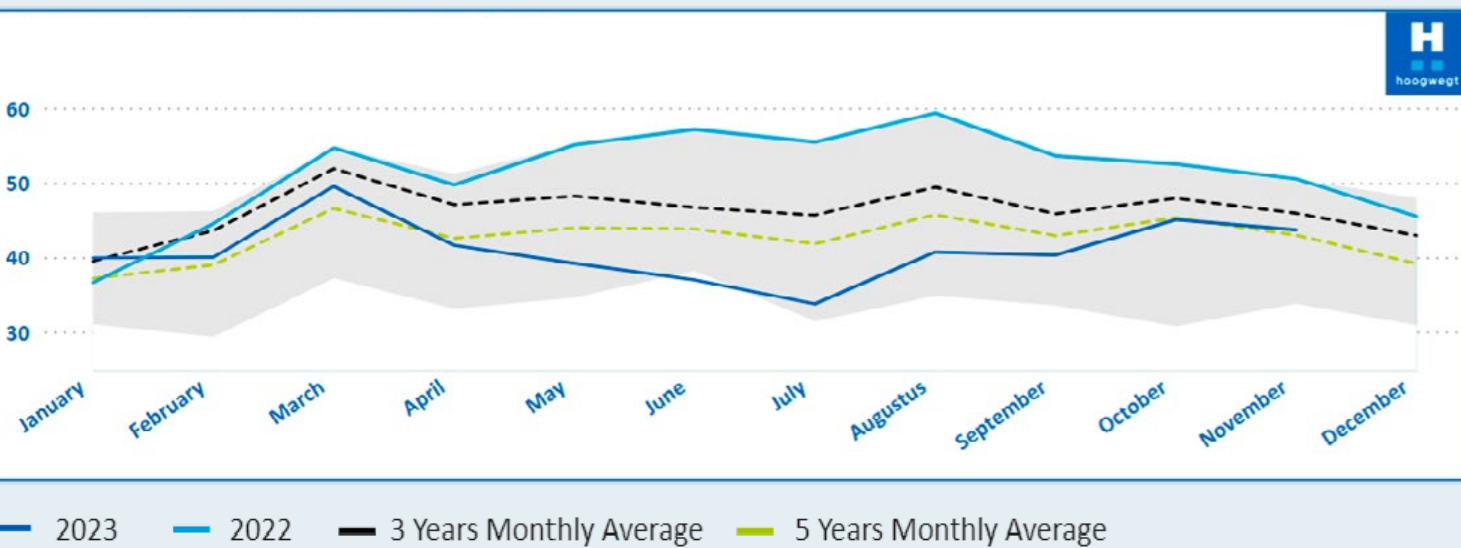
International price comparison in US\$/t (monthly average)



Dry Whey (HS:040410) exports, European Union (28 Countries), 2023



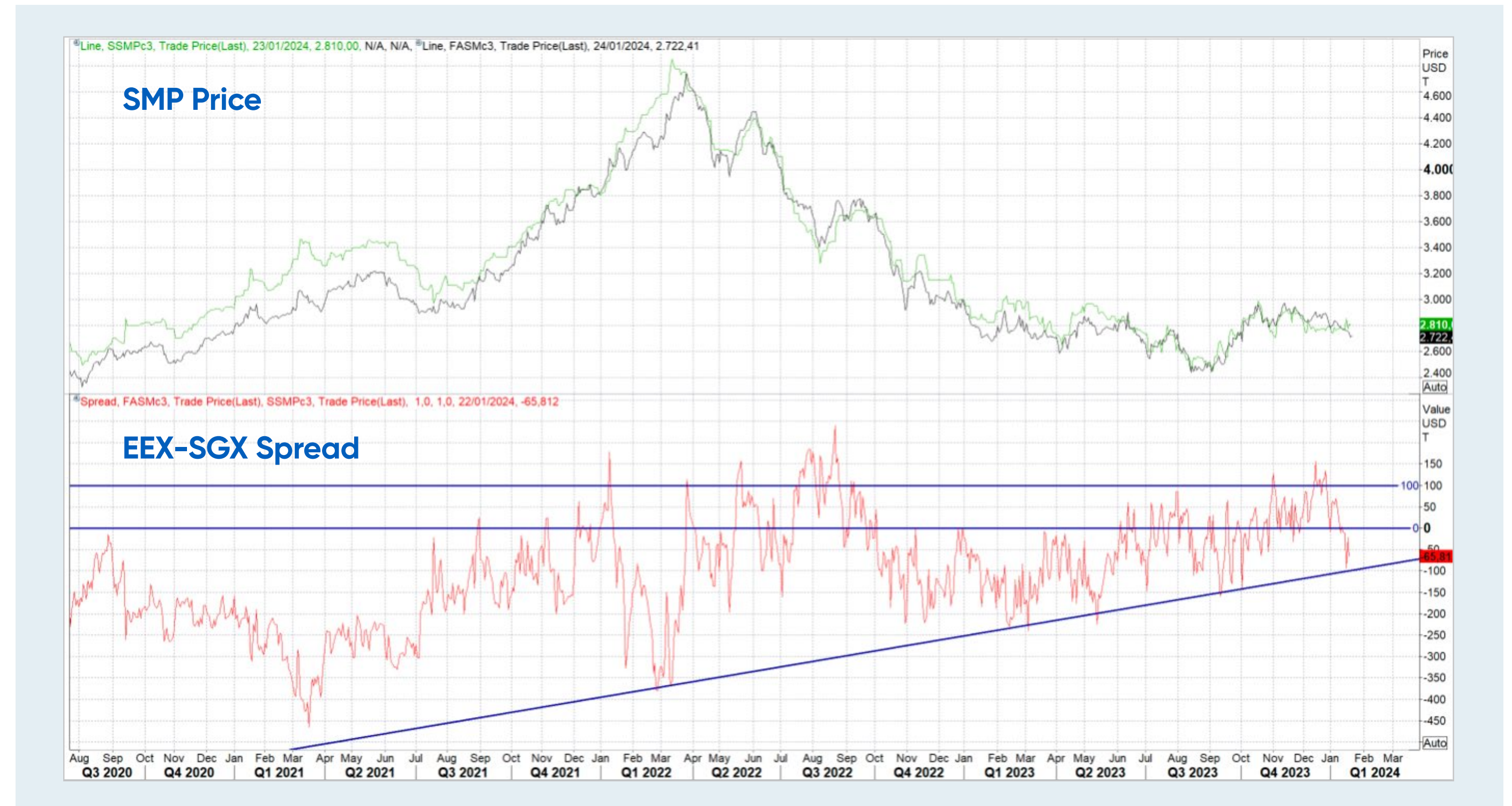
Dry Whey (HS:040410) exports, US, 2023



Futures

By Joris Thys, Derivatives Trader, HTM

- Powder price volatility has been subdued of late. Realized volatility on the EEX futures has been dropping from levels typically higher than 20%, to 15%. Not that markets have been static, since the start of the year, EEX futures have been moving lower with Q2 starting the year at 2620 EUR/t and now trading at 2540 EUR/t.
- But these are not the big moves we have seen in 2022. Two main suspects can be identified for these lackluster markets: ample supply out of New Zealand, and slow demand in the East.
- In the chart, you can see the SMP prices on the 3rd continuation future on SGX and EEX, all in USD/t. The lower pane (in red) shows the difference between EEX and SGX.
- In the past, it was rare for EEX to be trading above the SGX. Since 2021 however, the average discount for EU has been steadily eroding. And since Q2 2023, the EEX-SGX spread has been oscillating around zero, with Q4 23 even ending with SGX being cheaper than EEX. This can be linked to a better powder supply out of NZ. That spread has now been reversed to a more normal situation. Therefore, one can argue that the current weakness in European prices is a manifestation of NZ moving out of season with EU moving into season.
- Looking at the outright prices we see a strong resistance above this market at 3000 USD/t and support can be found at 2600 USD/t.



Valerie Loh
Export Manager,
Dairy Essentials APAC



They say that you never choose which commodity you trade. The commodity chooses you. Romantic as it may sound – even Pokemon-esque, this is something I firmly believe in.

Having a background in Business Development, Sugar Trading and Risk Management, my landing at Hoogwegt as Export Manager was one which was serendipitous and life-changing.

I haven't looked back since!

I am fast approaching my 5th year at Hoogwegt and it has been nothing short of rewarding. As the Regional Product Lead for Whey and Derivatives, I look after the strategy and inputs from the APAC region. I also look after customers from Thailand, Korea, Japan (Feed) and select customers from Vietnam, Malaysia and Singapore.

Being in a global tradehouse like Hoogwegt truly allows cross-border and cross-cultural collaborations. In any one given day, I am communicating with colleagues from Australia, Singapore, China, Holland, Argentina and US.

This translates to having information from all origins which is then aggregated during Asian hours, for our Asian buyers.

This, is perhaps one of the best value propositions of Hoogwegt. We diversify our portfolio, so that you don't have to.

World Comment.

Take Whey as an example. In recent months, we have seen production of SWP less affected by the reduced EU Milk Production due to the excellent valorization of Cheese. So even though less milk is being produced, more milk is being allocated to Cheese production, and in turn, the availability of Liquid Whey Concentrate. However, WPC prices are also affecting Suppliers' decisions to produce SWP (or WPC + Permeates + Lactose).

As such, given current WPC prices, suppliers who can produce WPC are doing just that, leaving little availability of SWP. Whereas, other suppliers who do not have the flexibility to move into WPC, are still producing SWP.

This greatly affects buyers as some brands are simply tighter in supply than others (and vice versa). As we closely follow the developments in all origins, we have been able to inform, introduce and execute new brands and origins for customers who are keen to explore.

This not only brings about cost savings but also logistical convenience especially during these times of geopolitical tensions and disruptions.

The beauty of working at Hoogwegt is that we don't provide a one-size-fits-all solution. We believe that each customer has a unique business, which requires bespoke solutions.

So, thank you kindly for all our business partners who say – "Hoogwegt, I choose you!".

We take the trust you have in us seriously.



Hoogwegt Happenings.

In Chinese culture, the Eve of the Spring Festival (Lunar New Year) is when family and loved ones gather together. We call it 团圆 (reunion). This represents the importance of family bonds and the desire to be with loved ones during this special time.

Our colleagues from Pacific Dairy Ingredients enjoyed their Spring Festival Team Bonding over some hotpot earlier this month. Here's wishing them a successful and prosperous Year of the Dragon!

龙年大吉，龙马精神，金龙献瑞！

On other news,

We are proud to announce that we are participating in [Gulfood 2024](#)! Located at the Dubai World Trade Centre, Team Hoogwegt would be at Hall 2, Booth B2-45. The Tradeshow runs from 19th – 23rd February 2024.

Hope to see you there!





Hoogwegt Dairy Spew: Year of The Dragon

As we fast approach the Lunar New Year (or Spring Festival), join us for Episode 17 as we discuss several topics submitted by our listeners.

In this first episode of 2024, we explore:
China
Implications of the Red Sea Disruptions
WPC Markets
Whey Markets
And many more

We have also added in **Transcripts** of this episode on our Buzzsprout website. You can find it [here](#).

Listen in to find out more!

Note:
Podcast was recorded on 23/ Jan/2024
Transcript was generated automatically. Its accuracy and spelling may vary.

Subscribe today!!

Comments / suggestions / collaborations are welcome!
Do let us know if you would like to be a guest speaker on our upcoming episodes!

--- Hoogwegt Dairy Spew Team



Episode Guide:

- 0:42 Introduction
- 1:41 China
- 7:34 Red Sea Disruptions & Implications
- 13:45 WPC and High Protein Markets
- 17:47 Whey Market
- 20:44 Upcoming Tradeshow
- 21:56 Summary
- 25:21 Closing

→ You can listen to us via our [Podcast Website](#), [Spotify](#) or [Apple Podcasts](#).