



Horizons.

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Editorial Note.

Welcoming the Year of the Snake.

As we slither into the Lunar Year of the Snake, we embrace its symbolism of transformation, adaptability, and wisdom—qualities that resonate deeply with our shared journey in the dairy industry. This Lunar New Year, we are delighted to unveil our first newsletter of the year, brimming with insights, updates, and expertise to guide you through the twists and turns of 2025.

In this issue:

- **Market Direction:** We shed light on Global Milk Production trends and their implications for the year ahead.
- **Deep Dive:** A closer look at China's Dairy Industry, where shifting dynamics continue to redefine opportunities and challenges.
- **Quick Note:** We explore the high-protein segment with updates on WPC/WPI and Neil Hunt writes a Quick Note on CME Futures.
- **World Comment:** Featuring Boh Xuan Jie, Account Manager for Dairy Ingredients APAC, sharing regional insights.
- **Hoogwegt Happenings:** A celebration of our Sustainability Achievements, reflecting our commitment to a greener future.

As we celebrate renewal and growth, let us harness the wisdom of the snake—steering through complexities with agility and foresight. Here's to a prosperous Lunar New Year filled with opportunities and success.

Happy Year of the Snake!

As Always,

Hoogwegt Horizons Editorial Team

Disclaimer

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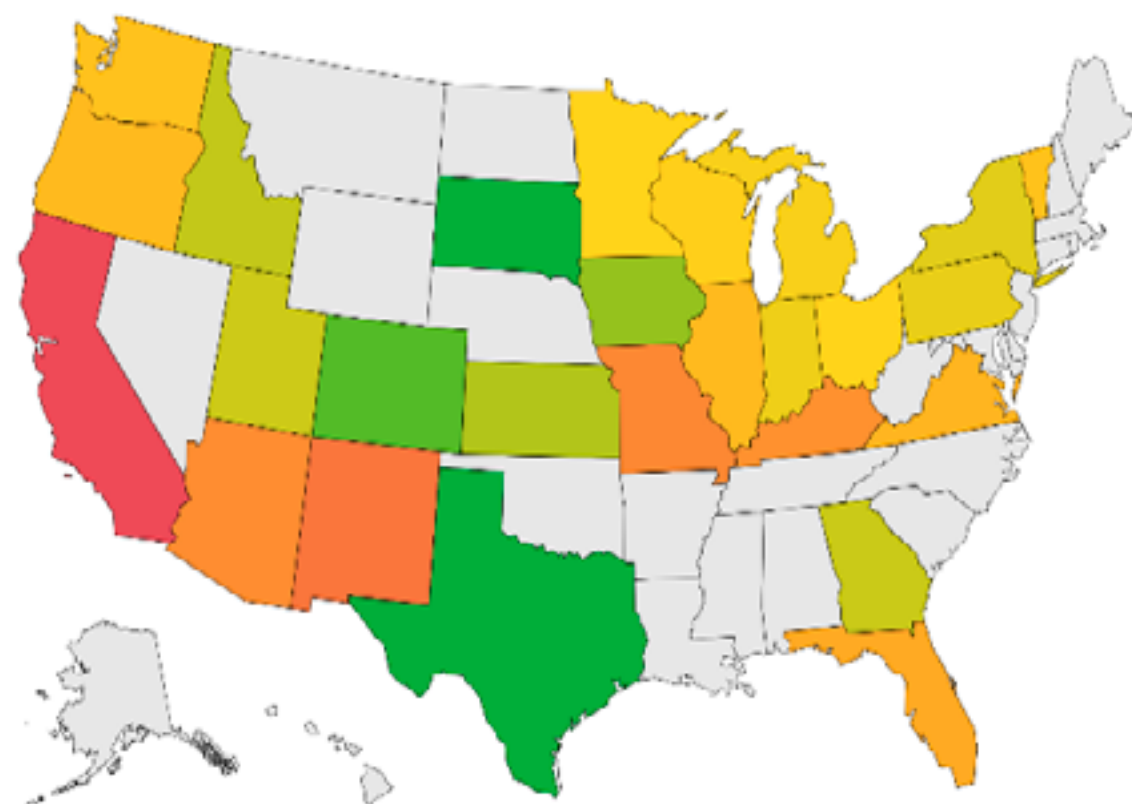
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Market Direction Got Milk?

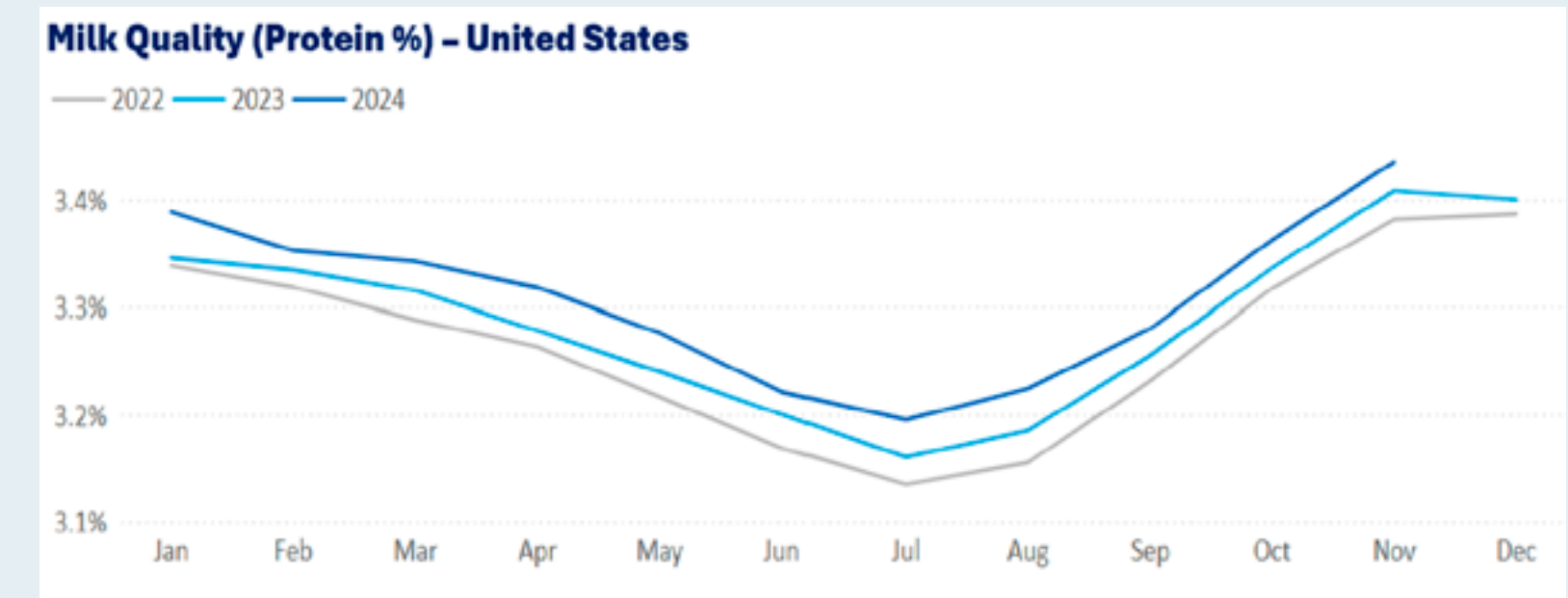
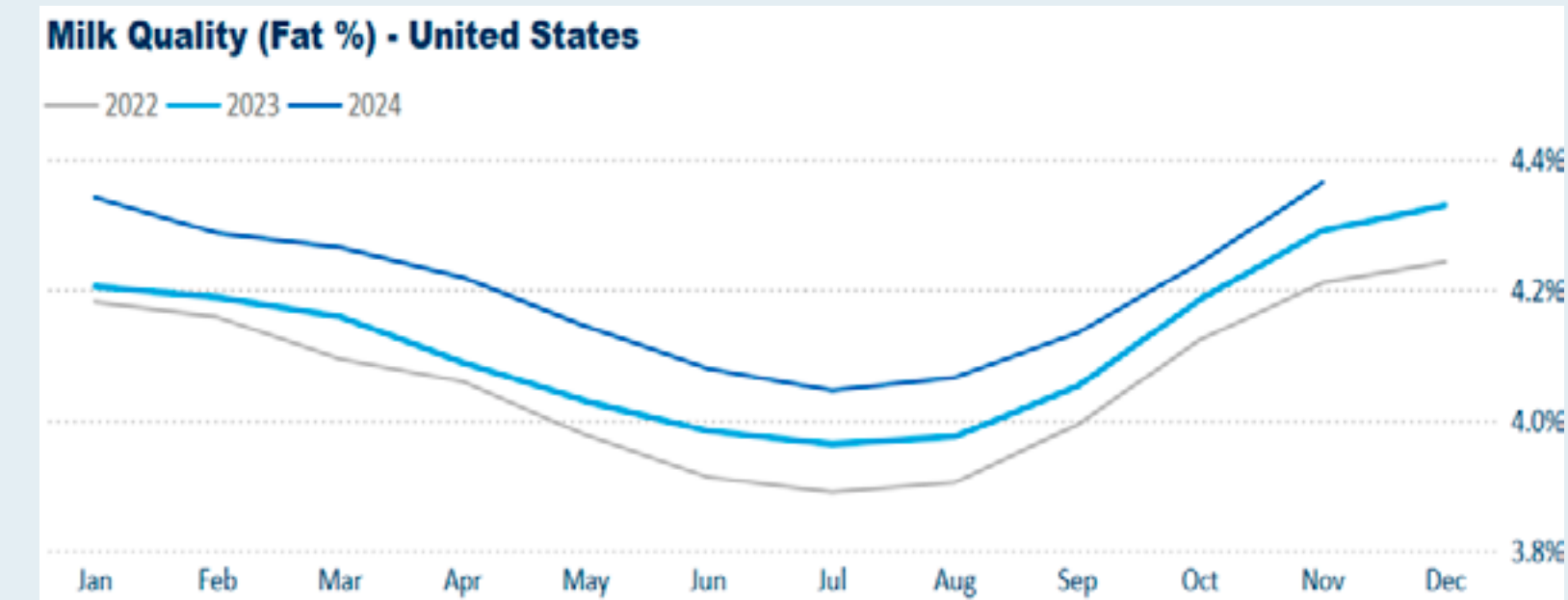
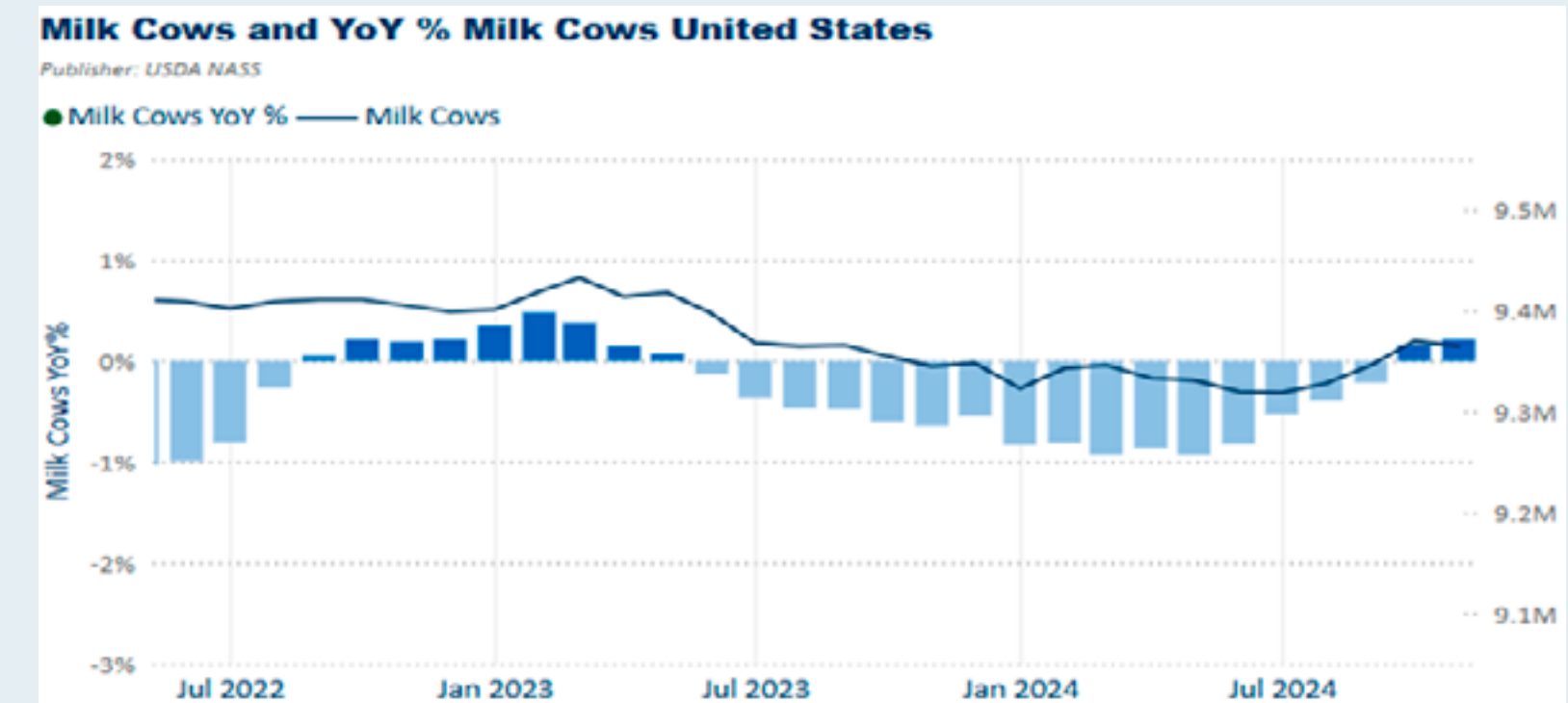
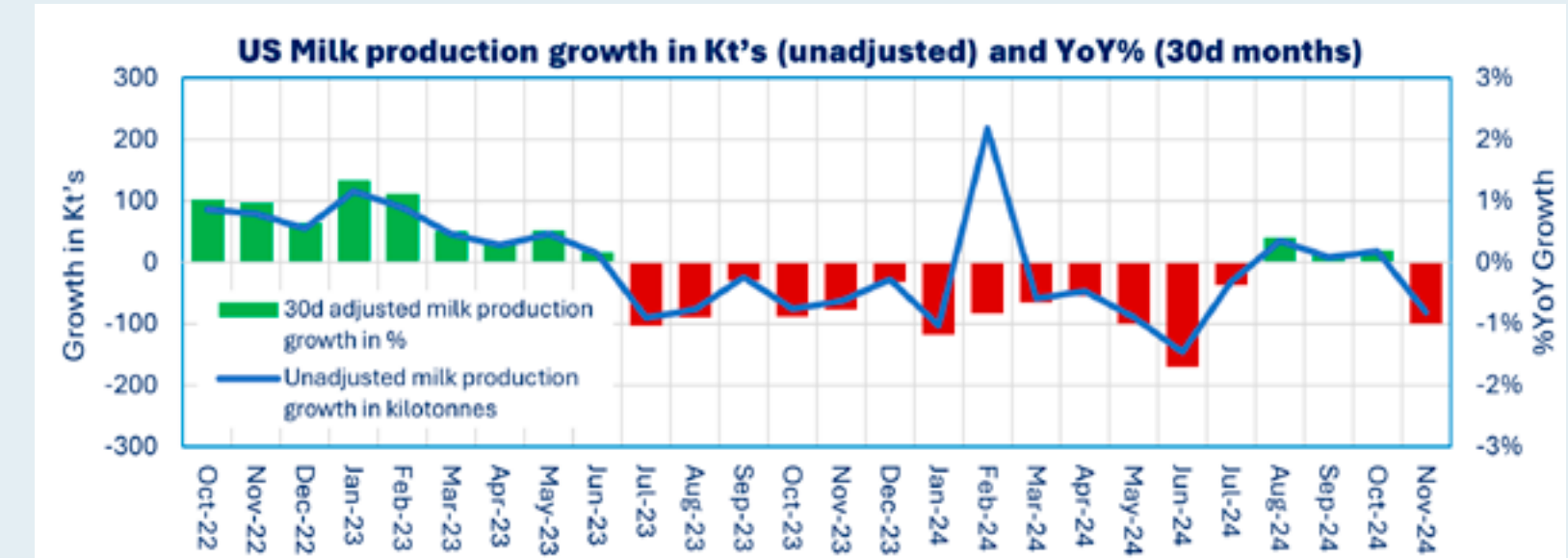
US Milk Production

California was down 9.24% YoY, pulling the entire country into negative territory due to Bird Flu. Without the losses in the Golden State, the US would see 0.8% YoY growth. The US herd experienced a seasonal decline from October to November, shedding 5,000 head overall. Despite this, herd numbers improved by 0.2% year-over-year, continuing a recovery from 15 months of stagnation and marking a second consecutive monthly increase (see chart). Milk production per cow dropped by 1.2% year-over-year, driven largely by under-performance in California.

Growth outside California was led by Texas, where production rose 7.3% year-over-year, fuelled by the addition of 35,000 cows since April in anticipation of new cheese-making capacity and improved on-farm margins. Wisconsin showed weaker results. After a slight revision upward for October's output (+0.2% YoY), November's production declined by 0.3% year-over-year, marking the fifth drop in six months. Milk per cow held steady compared to the prior year, but the herd size fell by 4,000 head, driving the decrease. Fat levels, who have been strong all year, registered at 4.36%, an increase of 0.07pp compared to the 4.29% of last year, erasing the loss of milk production from a fat/solids perspective. Protein levels were also stronger than Nov 2023 and came in at 3.44%, 0.03 percent points stronger. Margins are still profitable for most farmers. Bird Flu has some after affects but remains a temporarily disruptor, specifically in California. As soon as that has passed milk production should grow. Also due to weaker comparable months in the year prior.



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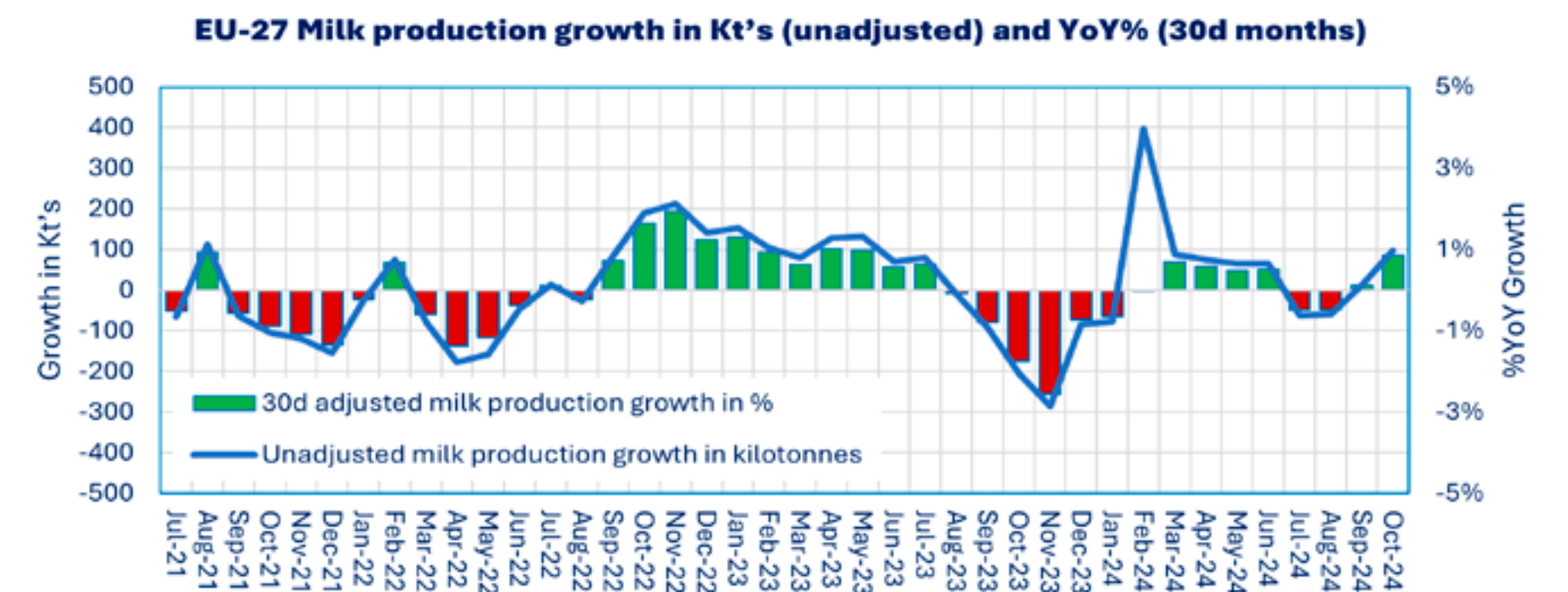




→ continuation

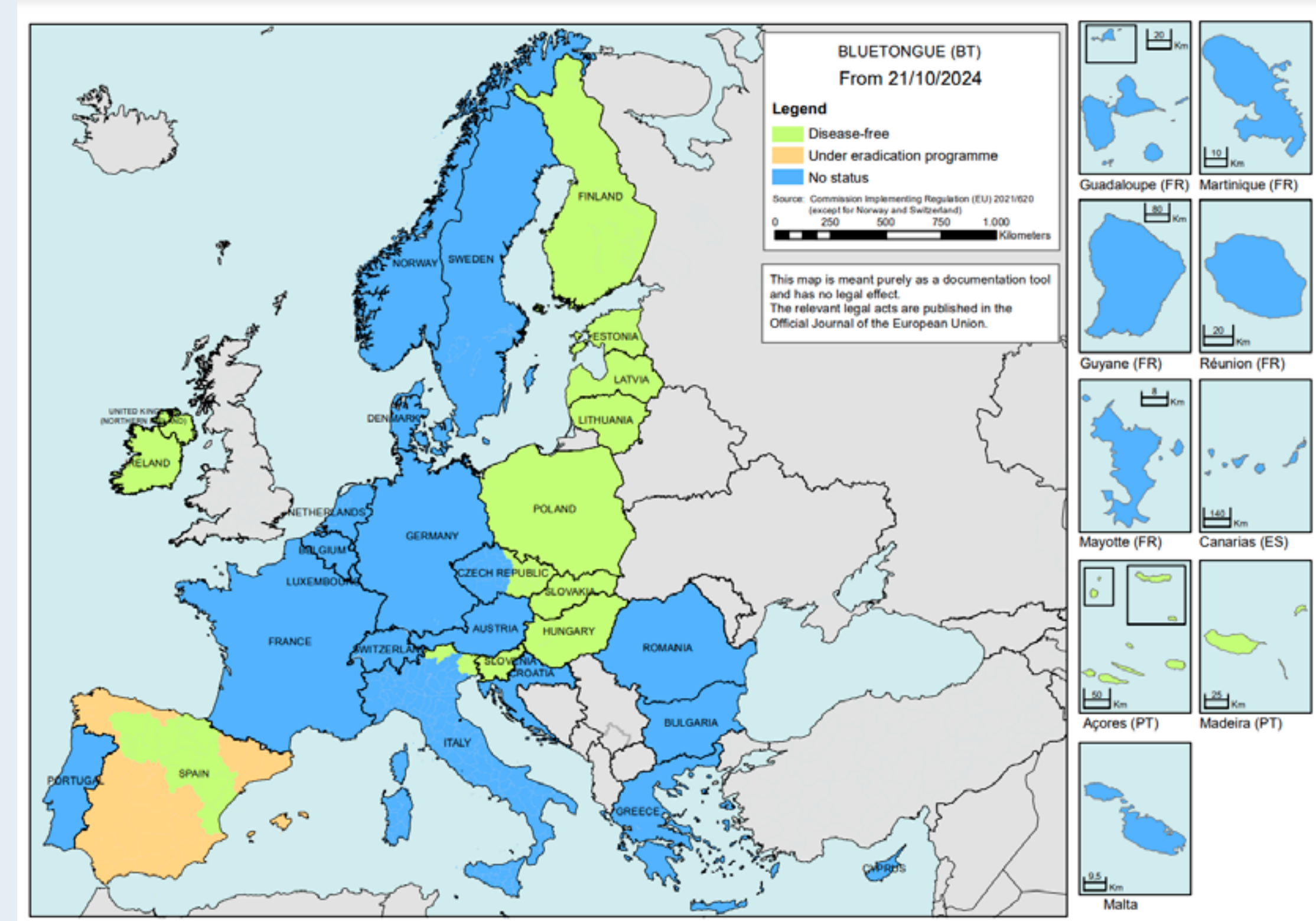
EU Milk Production

Not many significant updates in Europe around Christmas compared to the previous Horizons so our stance remain unchanged; Perhaps some very weak growth in Q1 and Q2 but it should be close to neutral and higher temperatures in spring onwards still can draw the Blue Tongue-joker if mosquitos survive the winter. There was an uptick in the Milkfat% in October, and the Protein levels too were stronger. That obviously helps the solids production and in the end farmers see a profitable milk check which is incentivizing solids growth. France wrote some positive weekly figures but that was compared to very weak production in the year prior, so the strong growth isn't long-lasting. The UK though is continuously strong with numbers close and sometimes even over 5%. Ireland is writing very strong numbers, but also due to very weak numbers the year prior. It helped their dairy production though (Butter, etc.) but since they're now in their winter production is seasonally low by now. The Germans keep writing negative numbers in their weeklies, usually around -1.5% and -2%, note the low German herd size in our previous Horizons. The black line in below graph represents the milk production YoY growth% (right axis) in 30d months (adjusted for leap years and days per month).



Key notes:

- Margins for farmers remain profitable, with an average 52+ cents farm gate price and 20% lower feed costs compared to last year. Energy costs have risen a bit but the margins remain profitable.
- Protein levels improved to positive since July. Fat levels improved in August and Sept. Both levels are reported to be improving since and indeed October saw a strong uptick in those fat levels and stronger protein levels. Milk may not grow very strong, but the solid levels help dairy production.
- Spread of cases of Blue-tongue disease in NW Europe had a negative effect on milk production. Spreading eased on lower temperatures, but herd management remains a problem and here and there cases still are popping up throughout NW Europe. Dutch farmers probably will vaccinate, but will Polish farmers that weren't affected by Blue Tongue disease as much as for example the Dutch?
- Herd; unchanged as the next update will be in Q1 2025 on end of year levels: 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. This limits the ceiling for milk production growth.
- Eurostat data hasn't been perfect and don't be surprised if there are going to be revisions. Italian milk collection and Polish milk collection datapoints had surprising numbers, but were adjusted.
- Blue tongue cases in fall 2024 (Source: EC).
- November milk production in the EU-27 should come in at 1.66% YoY. Fat levels are stronger, but protein levels were slightly weaker than November 2023 and flat compared to October 2024.



→ continuation

New Zealand: Positive season

Just published:

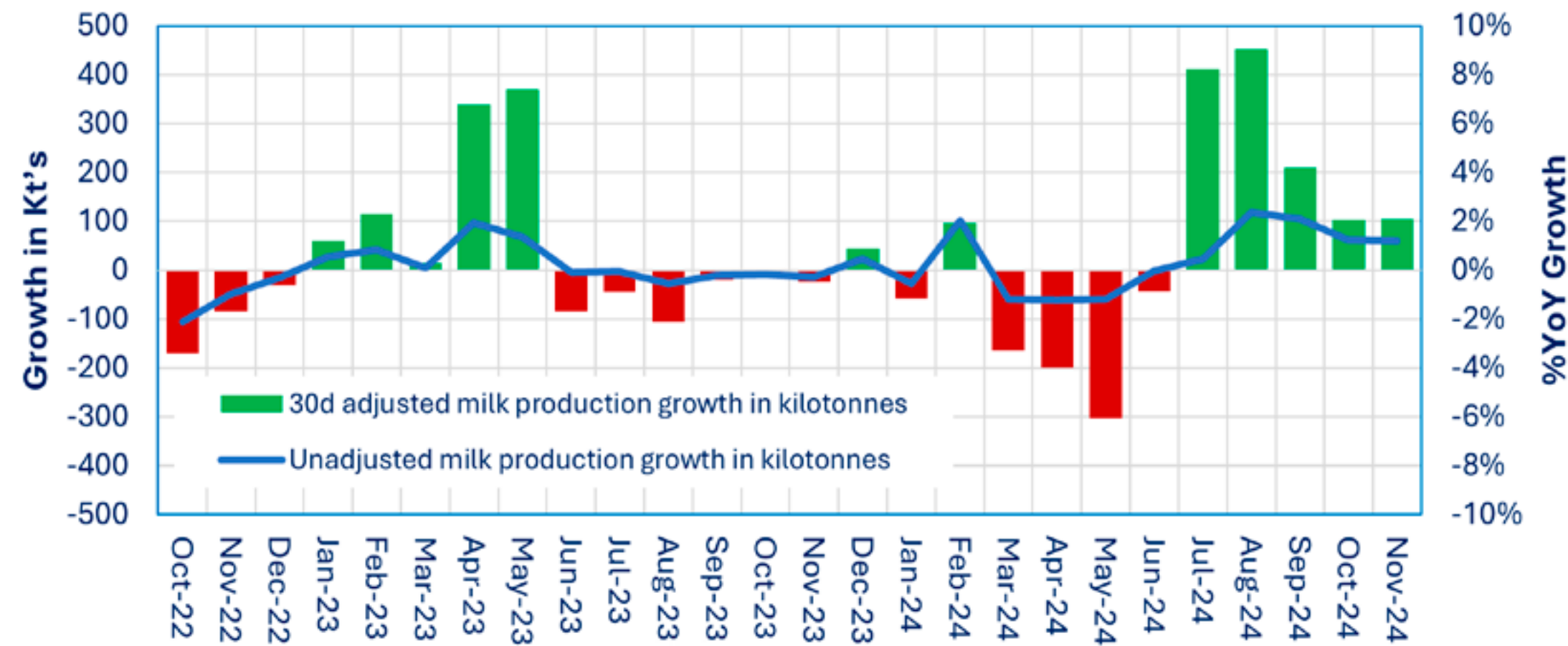
New Zealand Milk Production for December 2024 +1.4% YoY on MS Basis - STD +3.7%

- 2,649,000 tonnes (228,298,000 kgMS) of milk was collected in December 2024.
- New Zealand milk production for December 2024 was up 1.4% year-on-year (up 1.4% on a milksolids basis).
- New Zealand milk production season-to-date was up 3.1% (up 3.7% on a milksolids basis).
- New Zealand milk production for the 12 months through December was up 1.3% (up 2.1% on a milksolids basis).

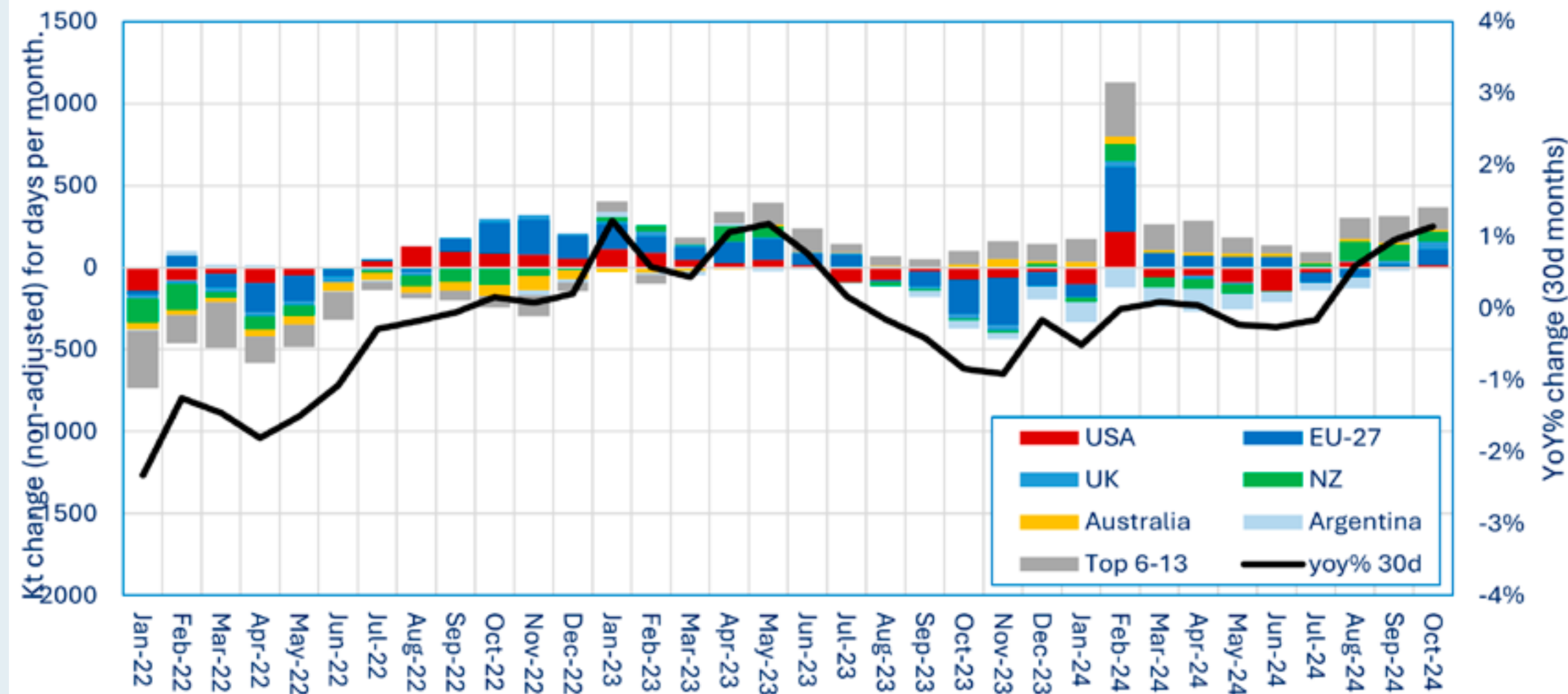
Our stance on NZ continues to stay positive. New Zealand milk production for November 2024 was up 2.1% year-on-year. Overall, signals are still looking positive for NZ, although the pasture growth index turned low in December with some struggles on the Southern Island. The Southern part of NZ is overall well irrigated though, and given the overall positive conditions we still tend to think that NZ overall has a positive season.

What we're also watching is the valorisation. WMP wasn't the most favourable to produce. But the gap between the valorisation of WMP vs SMP + Butter/AMF has been closing in. We don't think producers won't change their product mix overnight, but it's on our watchlist. If hypothetically WMP becomes more favourable to produce that might change next season's product mix. The black line in below graph represents the milk production YoY growth% (right axis) in 30d months (adjusted for leap years and days per month).

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



Milk production growth from major exporters, in 1000tonnes and YoY%



Dairy Deep Dive

The Year of The Snake.

Global WMP Market

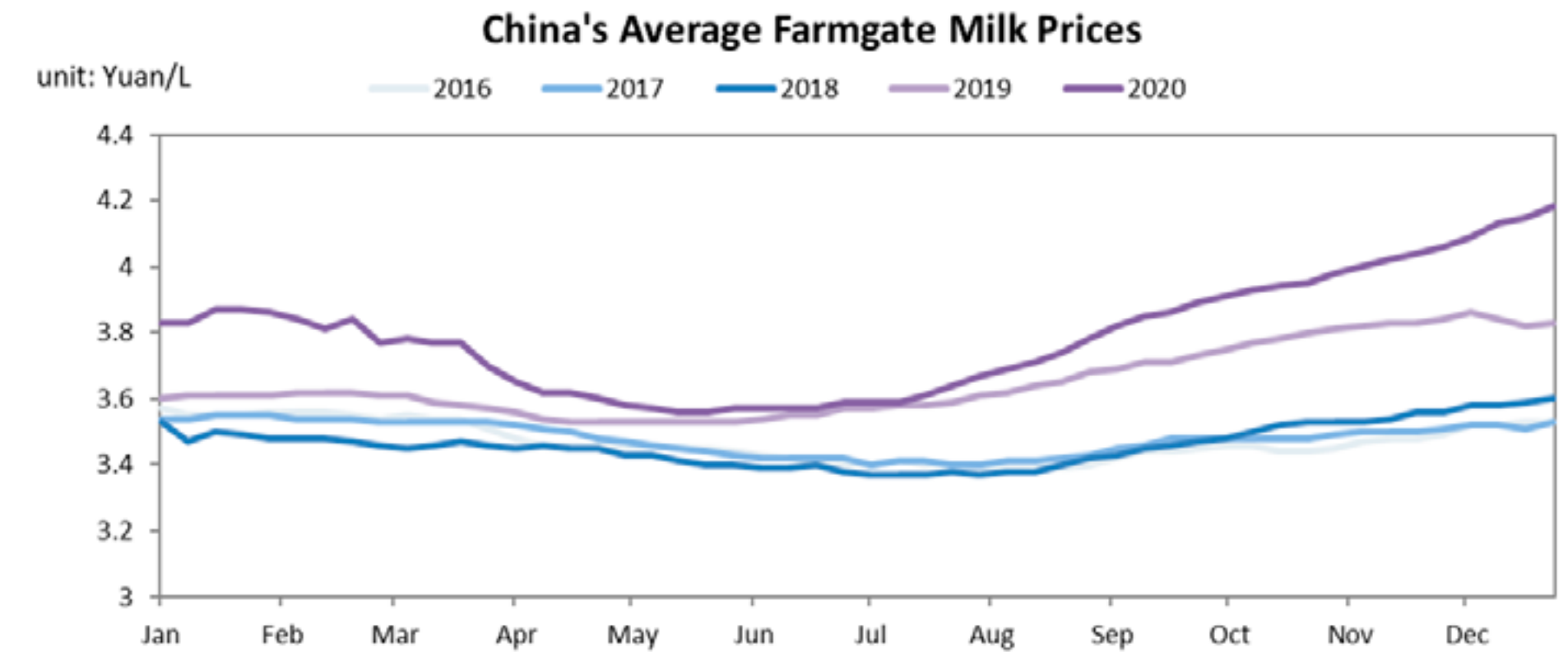
At the beginning of 2025 let's have a glance at the WMP market of China in recent years, the largest dairy and WMP importer on earth, which maybe could give us an indication of how the changes in China would affect the global market in the new year.

China's WMP imports kept fast growing during 2016-2019, with annual growth above 10%, due to rising dairy consumption and limited local milk supply. Rising demand boosted China WMP imports increased by 30% and local milk price surged in 2019.

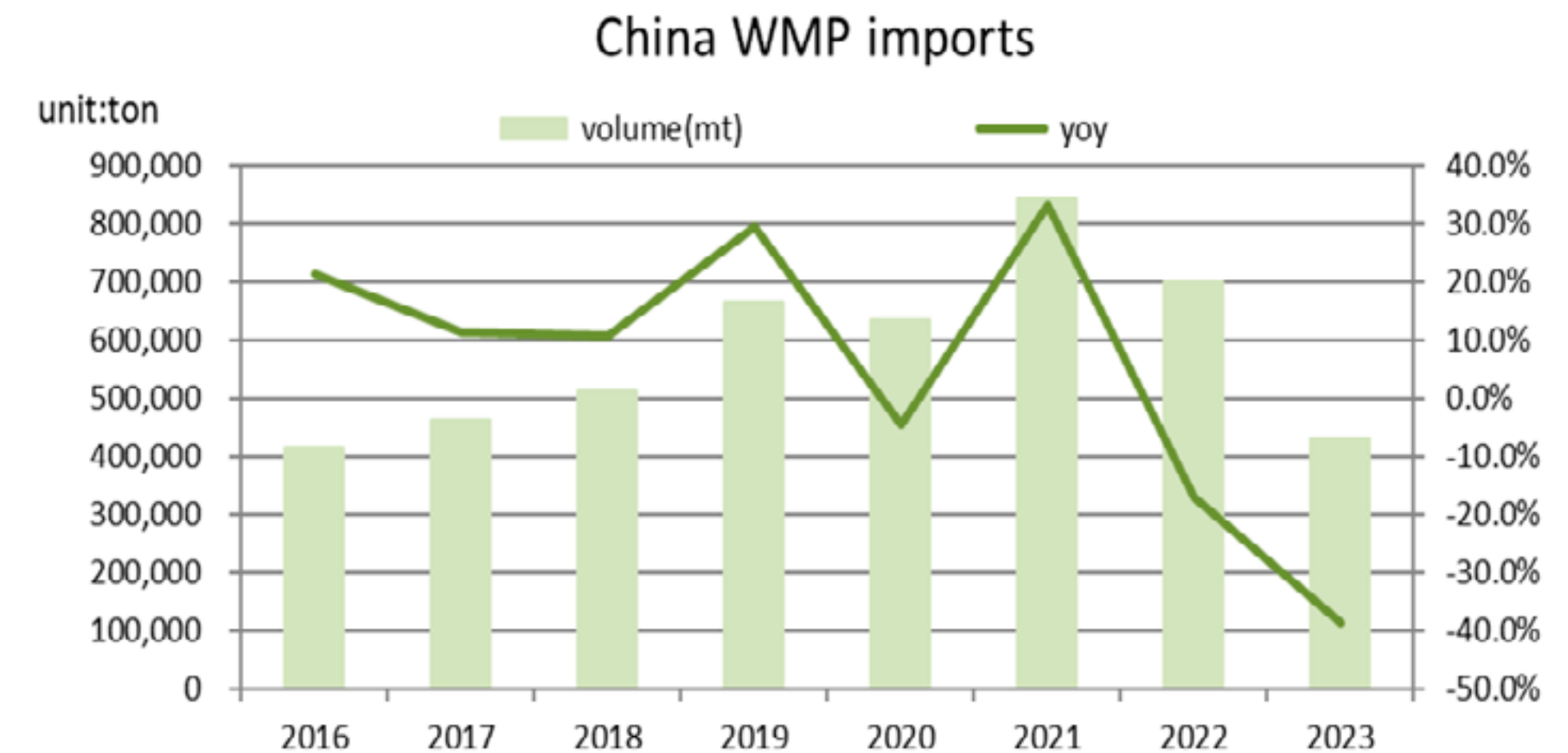
Since then the Chinese government set a long-term goal of increasing milk self-sufficiency and a lot of money was invested in building new dairy farms and expanding cow herds in following years.

Unlike cheese being the main retail dairy product in Western world, liquid products (fresh milk, UHT milk and yogurt) are responsible for around 80% of China's retail dairy market, despite of demand for cheese increased rapidly in recent years.

Although China's liquid milk consumption was first destroyed by COVID-19 due to the logistic interruption in the first several months of 2020, health awareness spurred people's daily liquid milk intake in later months and led China WMP imports to hike to 840 kt in 2021.



*Average prices in China's 10 major milk-producing provinces (including Hebei, Shanxi, Inner Mongolia, Liaoning, Heilongjiang, Shandong, Henan, Shaanxi, Ningxia and Xinjiang).



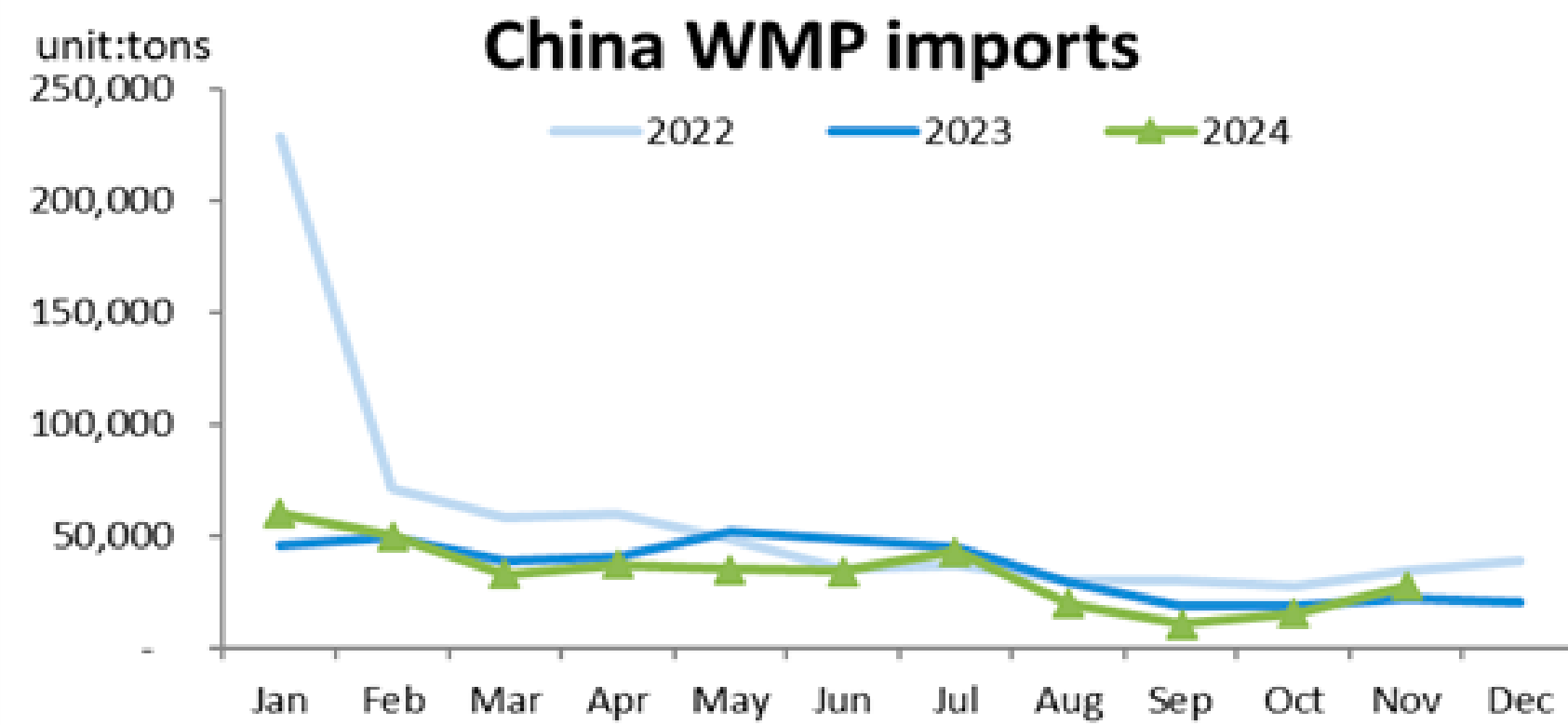
data source: China's General Administration of Customs

However, local milk supply turned oversupply since 2022 after local dairy cow numbers increased by above 8% YOY in 2020-2022. China local dairy factories started to spray dry a large volume of WMP to solve the problem of milk restore since 2022 meanwhile local raw milk price kept decreasing till now.

Thus China WMP imports kept low since 2H 2022, and Nov 2024 was the first month that China WMP imports increased YOY since Feb 2024. Inventory of imported WMP turned lower and lower this year, which led to surging WMP price on local market since Aug.

Meanwhile, regional governments called for reducing cow number growth since Q2 2024 and the country's milk production turned to negative growth since Q3. Thus locally produced WMP production and inventory both decreased in Q4 as well, supporting local WMP market.

Looking at the new year, Chinese raw milk production is forecasted to be less than last year, which might support the demand for WMP imports. But it's important to monitor whether local consumption of liquid milk would keep reducing and dairy cow number change in coming period.



data source: China General Administration of Customs



A Quick Note On...

SMP/NFFM

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. F-M Disease in Germany depending how it plays out, can have an impact.
- 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 and stocks in the US and EU are still low. And there is not much room to really ramp up production. Nuance; the US stock-level is stronger than last year.
- Global import demand for H2 is expected to be a bit better than last year, in particular Asian, but Mexican demand might also see some growth.

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 years level in the US.
- 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.
- European exports are dependent on N-Africa, will their demand stay strong?
- Alternative sources (BLR, Turkey, LatAm) are overall seeing better and sometimes very good production figures.

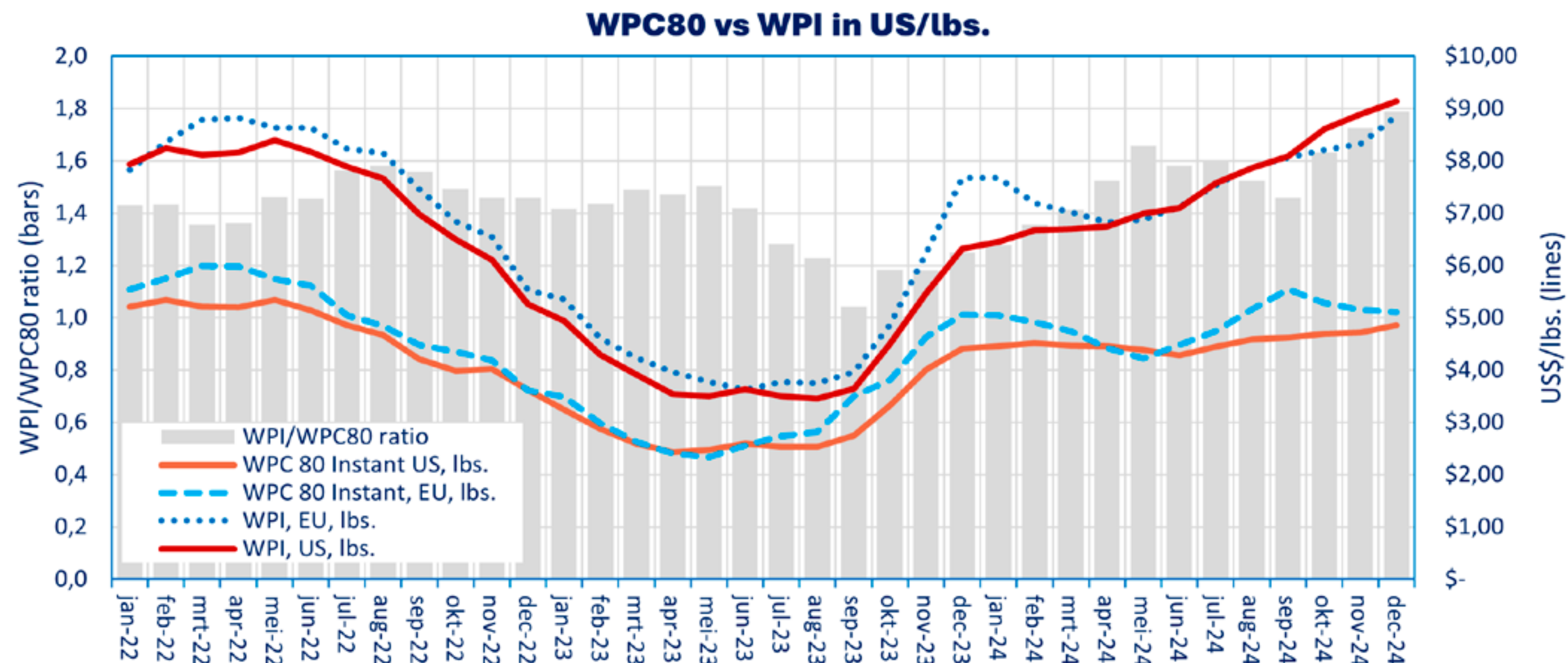
New Year, New Gym - High Proteins.

WPC-80 & WPI

November 2024 US WPC and WPI Production and inventories:

Total Cheese production was down 1.67% compared to Nov 2023. Total Dry Whey production volumes were also down (-3.53% YoY). Dry Whey stocks for Human consumption are down 18.8% YoY.

- WPC 25-499%: Production was 11.755 million pounds and fell 5.5% YoY. Production was below the 3y average of 12.99 million pounds, but registered a growth of 0.42% compared to last published month (October).
Inventories came in at 21.776 million pounds, a fair 18.3% increase from last month but still almost 18% below last year.
- WPC 50-899%: Production, 27.644 million pounds and thus fell as well, but was still above the 3y average of 27.21 million pounds.
Inventories registered 31.881 million pounds and were 15% below last year and also 1.34% below the October inventories, which is a counter seasonal move.
- Whey Protein Isolate: Production increased by 8.99% at 15.455 million pounds. 0.43% growth from the month prior. Production was also well above the 3y average (12.88 million pounds). Stocks came in at 14.7 million pounds, still well below last year (-12.8%) but WPI did see stocks increase over October 2024, by 5.45%, which is what one would expect looking at the season.



CME Futures

By: Neil Hunt, Derivative Trader, HTM/AM

CME Butter

The below chart (left) shows CME Spot Butter with weekly bars spanning the past 3 years. Since our last update on the CME in the Oct24 Issue of Horizons, support at \$2.75 per lb. gave way, and prices trended lower to test longer term support at \$2.50. Prices now have consolidated between \$2.50 and \$2.60 the past 2 months. Seasonally, we are in the lowest price period through February, and Butter production remains above the past 3 year average, so further consolidation remains likely through Q1. The futures curve is currently showing a healthy carry, with Q3 2025 prices projected at \$2.85 per lb.

CME Non-Fat Dried Milk

The below chart (middle) shows CME Spot Non-fat Dried Milk with weekly bars spanning the past 3 years. The Non-Fat market broke out of an 18 month consolidation in mid-August with a move above \$1.25 per lb. Prices continue to consolidate between \$1.35 and \$1.40. US fundamentals remain supportive with historically lower production, but lack of global demand and US spot prices well above comparable SMP prices in the EU and Oceania has prevented any continued push higher for the time being. The forward futures curve is now slightly inverted with Q3 2025 prices projected at \$1.35 per lb.

Class III Milk

The below chart shows CME Class III Milk Futures on the 3rd continuation contract in weekly bars spanning the past 3 years. After breaking out above trendline resistance at \$18.00 per cwt., Class III milk saw a violent correction lower in October. Longer-term moving average support was found at the breakout area of \$18.00 in late November. Overall, the Class III chart has been truly a tough one to read, with prior levels of support and resistance being broken very easily and quickly. Complicating things further for 2025 are pending USDA component formula changes which will change the Class III settlement calculation. For the time being, volatility is expected to remain high, and extra caution is warranted.



World Comment.

Boh Xuan Jie
Account Manager
Dairy Ingredients Haverlo



December 2024, marked my fourth year with Hoogwegt, a journey that began during Covid. Starting out in the Singapore office, I was the only member of the Ingredients (Proteins) Business Unit in Asia, with the rest of my team based in the Netherlands. As it was still the height of the pandemic, with quarantine and travel restrictions in full effect, my first six months consisted primarily of online communication with customers and teammates abroad.

I started by looking after our Proteins sales in Southeast Asia (SEA), building upon the foundation of my predecessor. SEA is a region of great diversity made up of 11 different countries, with its own unique language and religions. There is no one-size-fits-all approach, and one must adapt to the local way otherwise you will find yourself stuck.

After two years focusing largely on sales, I began to handle the purchasing side as well, seeing things through a different lens which also requires a different set of skills. This opportunity brought me closer to the Oceania region and allowed me to foster deeper collaboration with our Australia team, bringing me upstream to learn a new side of Dairy, from the producer's perspective.

In 2023, a significant restructure saw our Chinese entity, Pacific Dairy Ingredients, become part of the APAC region. This change led to more interactions with our Chinese colleagues and customer visits. After several trips, we became convinced of the role we could play. However, it remained early stages for us in Proteins. How better to understand the pulse of the market than being in the market? Therefore in September 2024, I had the opportunity to go on a four-month secondment to China, be on the ground with the team and together strengthen our Proteins presence.

The experience was amazing and after travelling close to 80% of the time to meet customers and partners in the deepest part of China, I have a much stronger appreciation of the ways of business in China beyond the countless baijiu toasts (affectionately known as "fire water"), I witnessed firsthand the rapid growth and agility of China's dairy industry. The government's ambitious goals to increase the country's self-sufficiency in dairy production led to ripple effects which were felt globally. Imports of many dairy products took a hit, as it was a triple whammy with increased local production, lower consumer demand and higher inventory. Globally, the demand for dairy proteins continue to rise. In the Asia region, it also is experiencing high growth, with developing countries having higher GDP per capita and developed nations experiencing an ageing population. These trends continue to drive demand for proteins. Take for example the Whey Protein market, where demand continues to outstrip supply the past year. Whenever market was searching for price direction, it wobbled sideways for a week or two, but eventually continued its upward climb. Till date there is no end yet in sight.

As more producers shift towards value-added products and consumers increasingly incorporating dairy protein into their diets, the global protein market remains dynamic and full of opportunities.



Hoogwegt Happenings.

Sustainability Certificate for Seabird!

The Sustainable Development Goals (SDGs) are a set of universal objectives for sustainable development, approved by the member states of the United Nations. These goals were created to make the world a liveable, fair place by 2030. They reflect the three dimensions of sustainable development: economic, social, and environmental. There are 17 SDGs with 169 sub-goals, grouped into five categories: People, Planet, Prosperity, Peace, and Partnership.

Companies bearing the logo FORWARD GOALS for sustainable development – GOLD demonstrate that they are recognized as sustainable logistics service providers. Based on an audit conducted by FORWARD Belgium, these companies have proven their commitment to at least 10 sustainable actions, spanning the 17 different SDGs.

Hoogwegt Group's International Shipping and Forwarding entity, Seabird is proud of this achievement!