



# Horizons.

#05



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# Editorial Note.

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## HOI!

Welcome to the latest edition of our newsletter – packed with insights and updates from across the dairy world.

We begin with ‘Market Direction’, where we explore the latest trends shaping global milk production. In this issue’s ‘Deep Dive’, we take a closer look at the contrasting dynamics of skimmed milk and butter, and what they signal for the market.

Our ‘Quick Note’ section brings you sharp takes on US whey, the US-China tariff impact, and a focused piece on CME Futures by Neil Hunt, Derivative Trader at HTM.

In ‘World Comment’, we hear from Danny Prangsmā, Senior Account Manager at Dairy Essentials Europe, who shares his perspective on the evolving European landscape.

Finally, we celebrate a milestone in ‘Hoogwegt Happenings’ with the successful completion of our annual Skal Organic certification – a testament to our commitment to quality and sustainability.

Enjoy the read and stay inspired!

As Always,  
Hoogwegt Horizons Editorial Team



# Market Direction Got Milk?



Growth expected; more cows, good margins. Strong solids.



Neutral; The European continent struggles; good margins but less cows. Strong solids. Note: Blue Tongue (and FMD) risks. The UK is doing very good and together with the stronger solids eases the struggles on the continent.



Closing in on their winter and cows could be rested sooner than normal. Strong solids. Things for the upcoming season look ok.

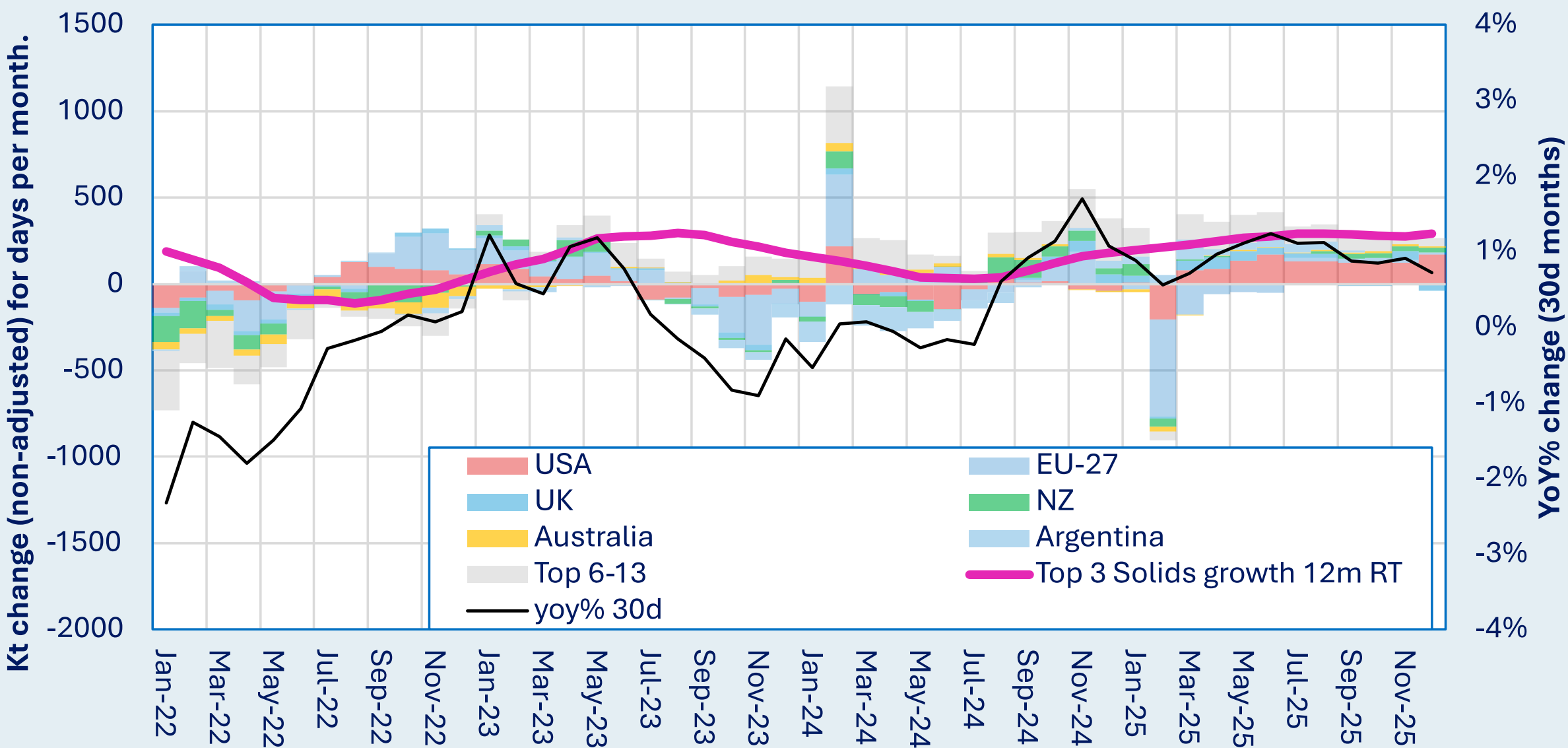


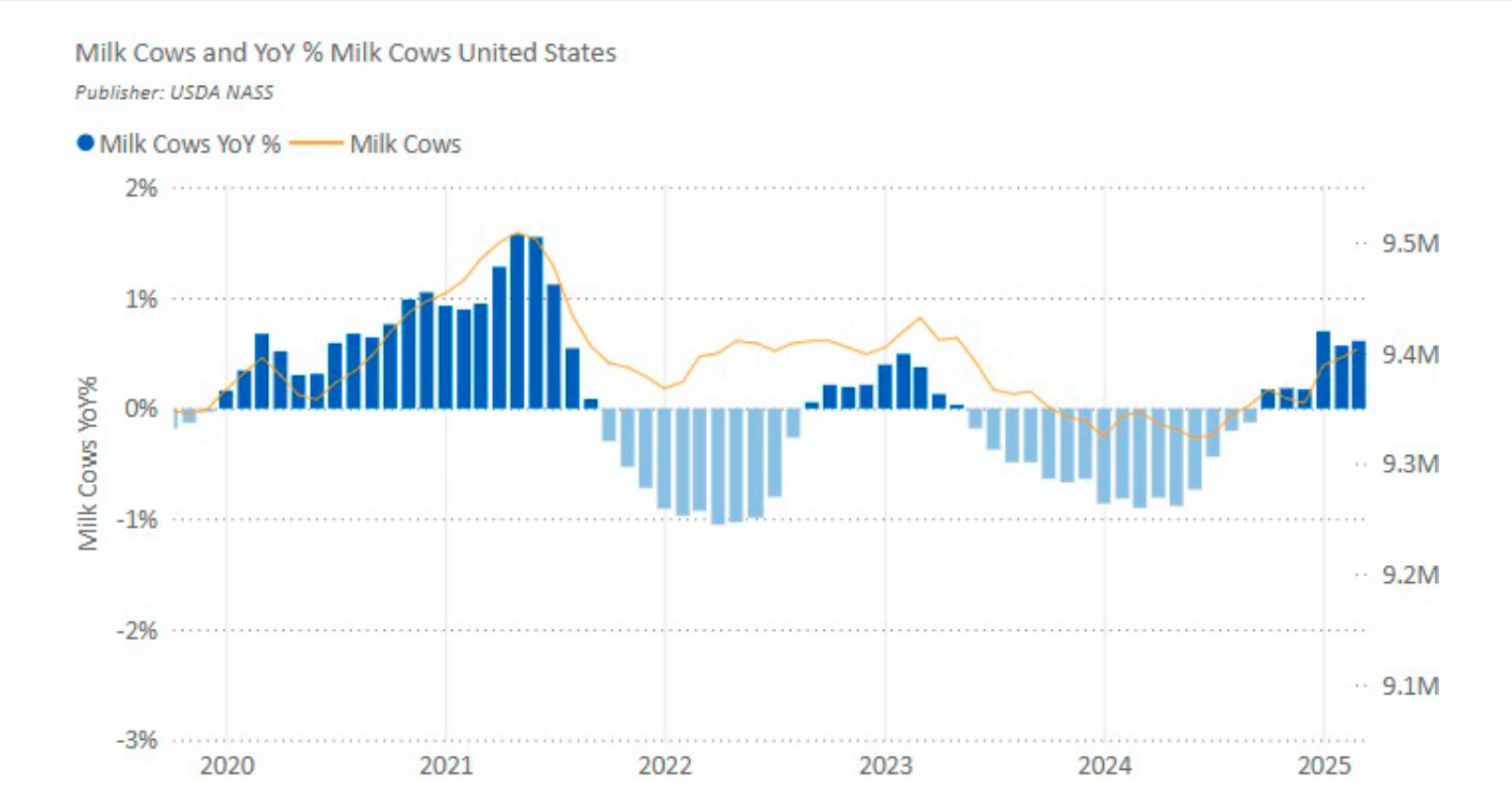
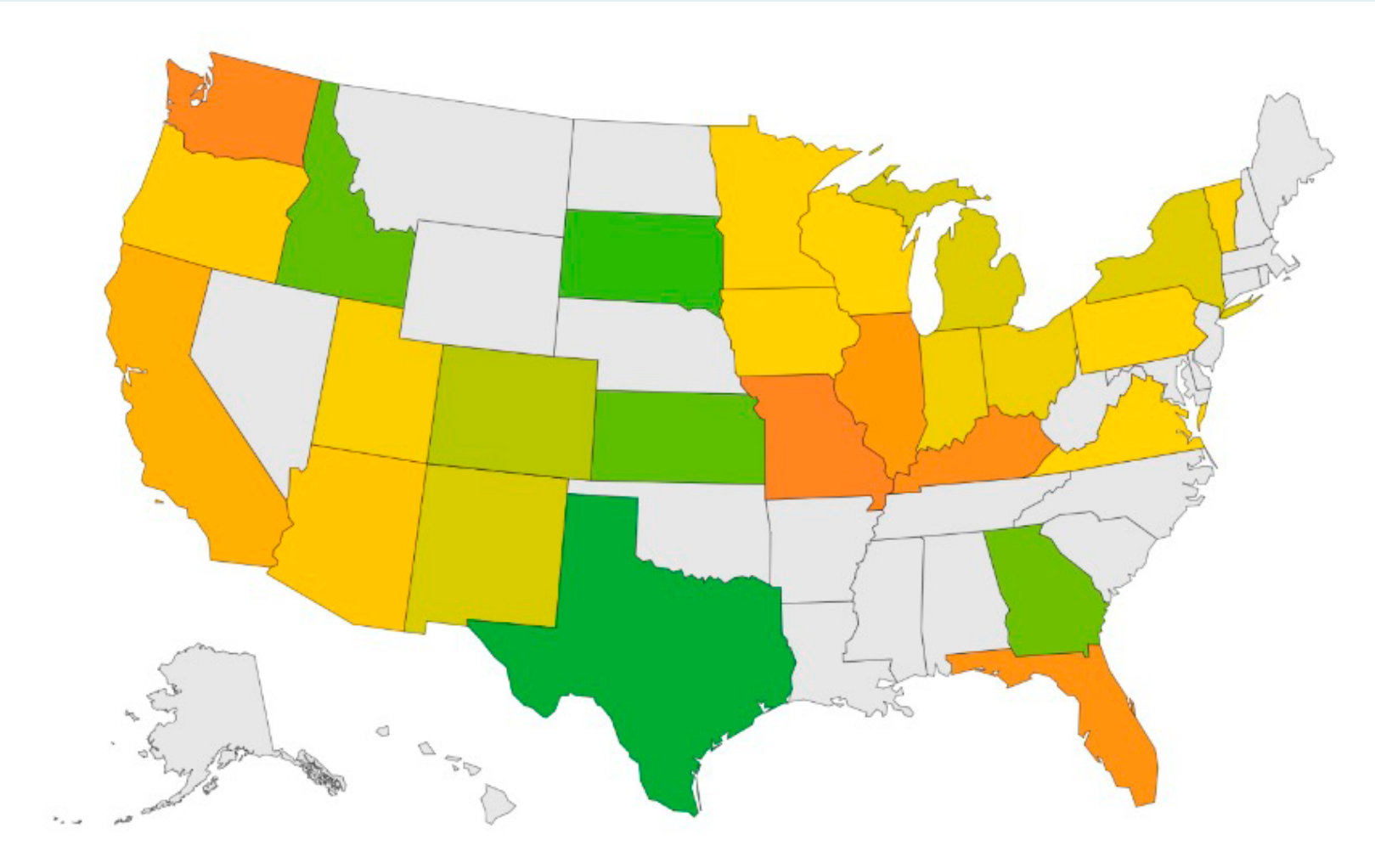
Decline is expected; less cows on smaller farms, low margins.



Growth expected; Growth in Belarus, Turkey, South America. Struggles in Australia.

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





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**EU27+UK Milk production;** Milk production was down in Q1, the UK sees strong growth. EU-27's February YoY% was around -1.6% (leap year adjusted), March reports are indicating similar negative figures. The UK currently sees strong growth, easing but not completely erasing the losses on the continent.

The quality of the milk is another nuance on the negative production figures; fat levels were stronger (0.08pp at 4.25%). Blue Tongue (BT) cases in UK, FR and Germany but nothing really new. Poland didn't report new BT cases yet, but know there is an incubation time up to 90 days. So far it's all quiet on the FMD-front in C-Europe. Now with March in, GE, NL, ESP are producing more, others are down. EU27 totalled 119k MT, -2k MT compared to March 2024, note that the UK has stronger powder production than last year. Ireland is not completely transparent on their production so far. Their milk production is a strong grower.

**US Milk production March 2025:** +0.9% YoY. California was recovering from Bird Flu, which also showed in their butter production. On top of milk production growth, both milkfat and protein levels have been again stronger than all recent years. Protein is 0.04pp up from last year at 3.38%. Fat percentages are on average 0.07pp stronger at 4.33%.High-over the herd-dynamics look unchanged; Herd size is still positive, 57.000 cows more than March 2024

**New Zealand Milk production** is closing in on the end of a strong season; March came in at +0.6% in terms of milk production, in terms of solids +0.8%. Calculating to +2.3% STD or +3% on milk solids basis. "Rumour" has it that NZ farmers might give the cows some earlier drying off after a positive season. The NZX milk production predictor is currently anticipating a midpoint YoY decrease of -2.2% and -3.1% in May due to many North Island farmers drying off earlier than usual. If this holds true, it will put the total 2024-25 season's production up 2.2% on the previous 2023/24 season.

New Zealand recorded a higher number of dairy cow slaughters compared to the same month last year. The total reached 118,824 head, marking a 13.3% increase year-over-year and standing 12.6% above the three-year monthly average. However, the 12-month cumulative slaughter figure came in at 785,000 head, reflecting a 1.2% decline from the corresponding period a year earlier.

Based on recent GDT's SMP+Butter/AMF valorisation isn't the most favourable stream anymore.



## Dairy Deep Dive

# Split by the Churn - Tracking Trends in Skimmed Milk and Butter.

### SMP/NFDM

#### Production

**US:** NFDM production continues to ramp up seasonally rising by 3.5% from February to March, besting the MoM five-year average of 2.5%.

However, output still fell short of prior year levels in March, marking lowest volume for the month since 2019. The USDA revised the US stock level, from very high to high, the significant move slashed almost 80 mln. lbs or almost 36k MT.

- SMP production figures were still low. They should increase due to more exports.
- Further in the year more cheese plants are coming online which should shift milk flow from NFDM+SMP towards Cheese.

#### **EU: Weaker January but close to neutral February, March close to neutral compared to a weak 2024.**

- February figures were slightly lower, around 118Kt (-3Kt) YoY (on a day less) Ireland is not transparent on their production.
- SMP production is slightly down since the start of the year. Now with March in, GE, NL, ESP are producing more, others are down. EU27 totalled 119k MT, -2k MT compared to March 2024, note that the UK has stronger powder production than last year. Ireland is not completely transparent on their production so far. Their milk production is a strong grower.
- Stocks are still on the lower end compared to the past 5 years.

#### **Oceania: We assume a somewhat lower SMP Production from NZ, compared to last year, but it should be close to neutral.**

- Based on the latest GDT SMP+Butter/Fat doesn't valorise as well compared to WMP and Cheese production.
- Australia has a focus on SMP and less on Cheese. But their exports have been strong and probably outpaced production growth so they may be not as strong in exports compared to their strong 2024. They are currently not growing milk production.

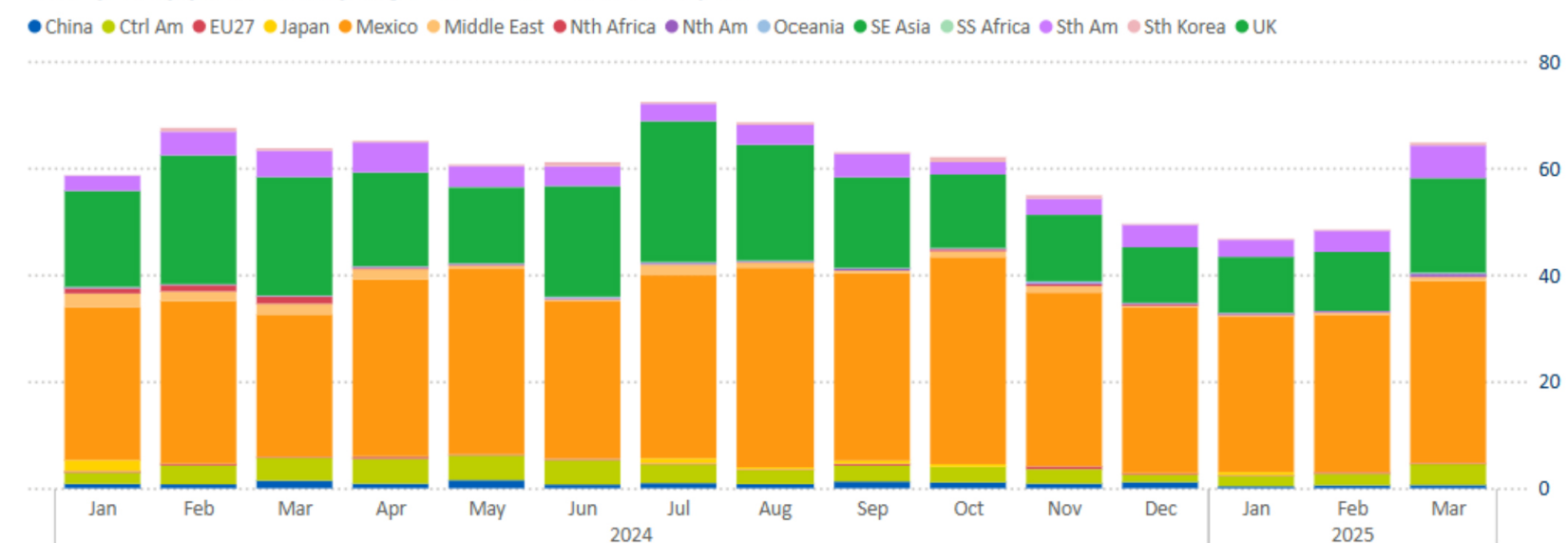
#### Demand

US March Exports were surprisingly strong as the US regained market share in SE Asia quite fast. 64.8k MT for March (against 63.7 March 2024).

Below plots are all in 1000 MT per month.

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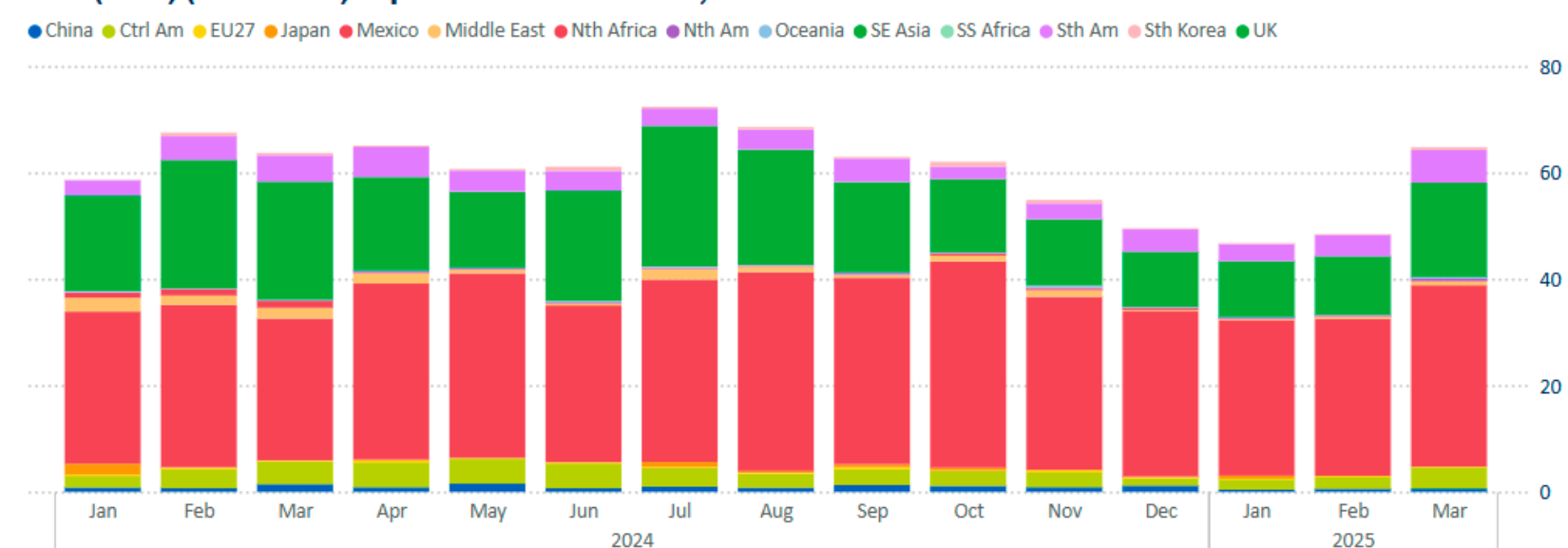
**SMP (Food) (HS:040210) exports in 2024 and 2025, US**



**EU: Neutral exports in March at 71.3k MT (-0.25k MT)**

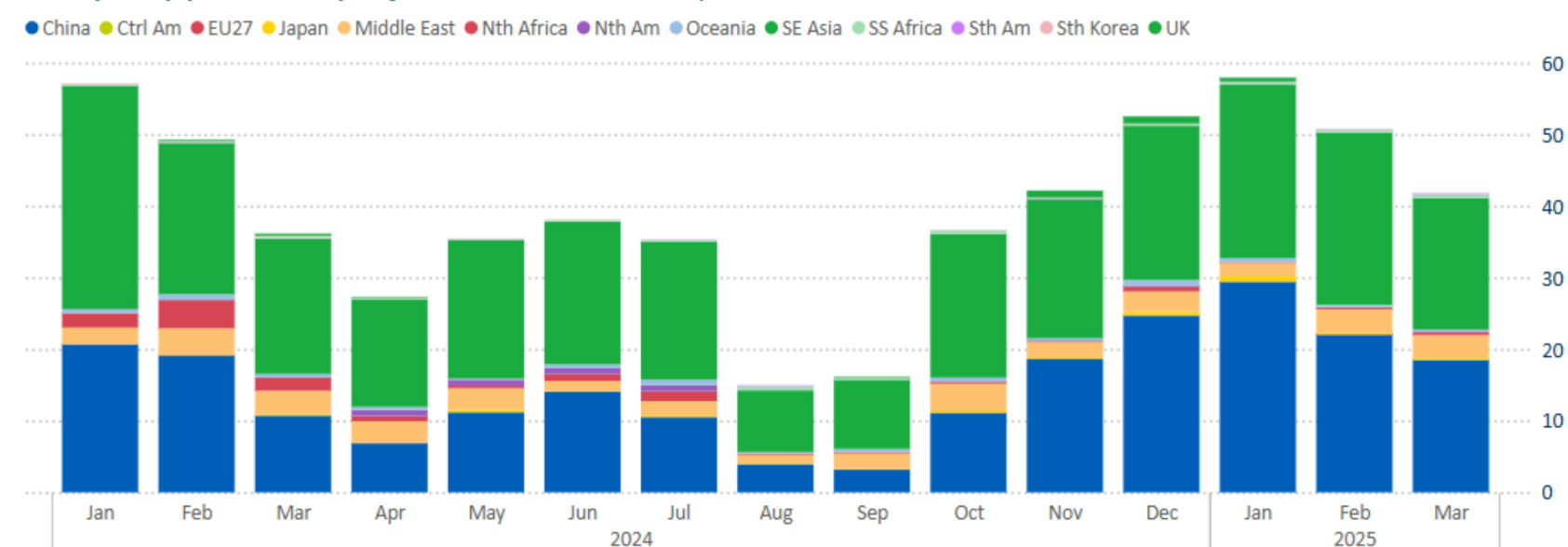
Weak demand in N Africa doesn't help European exports, some of that was eased by stronger demand in SE Asia.

**SMP (Food) (HS:040210) exports in 2024 and 2025, US**



**NZ:** NZ Exports were again strong in March (at 41.8k MT against 36.2 last year's March), held a fair SE Asia market share, AUS exports were lower compared to their strong Q2 '24 but still fair as they were close to the 3- and 5y averages.

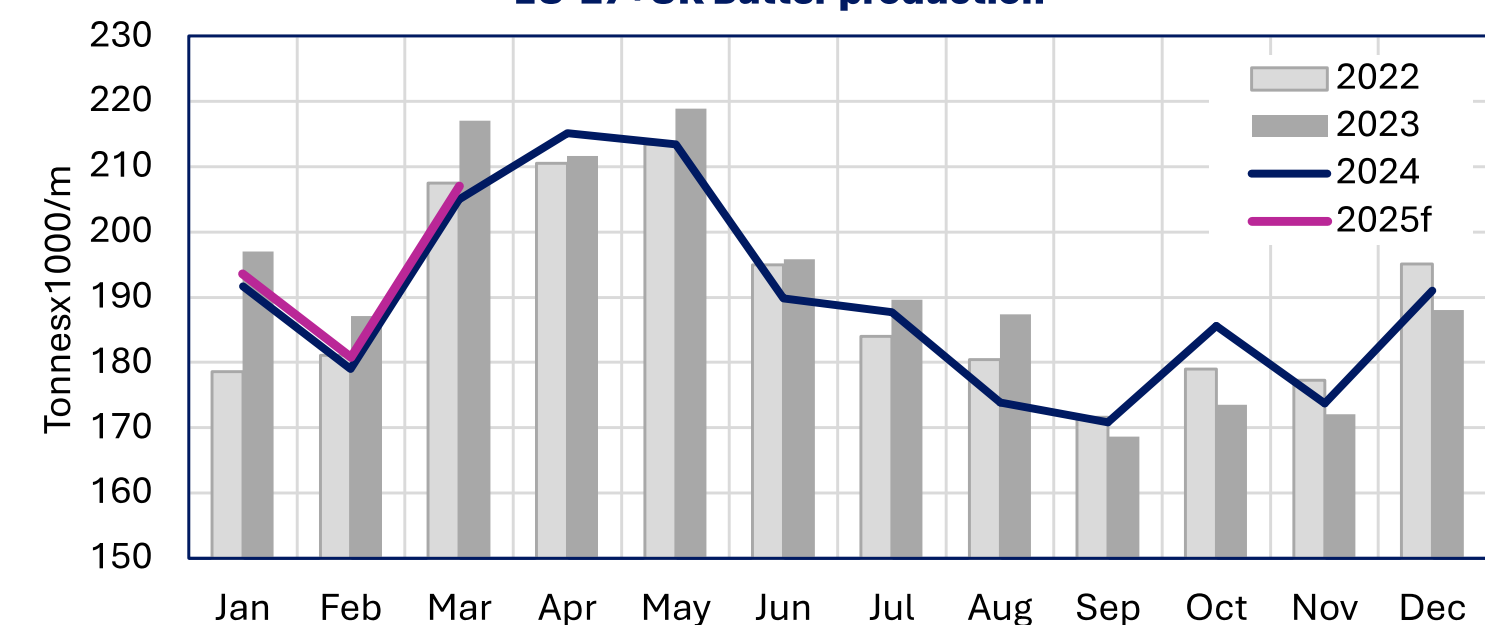
**SMP (Food) (HS:040210) exports in 2024 and 2025, New Zealand**





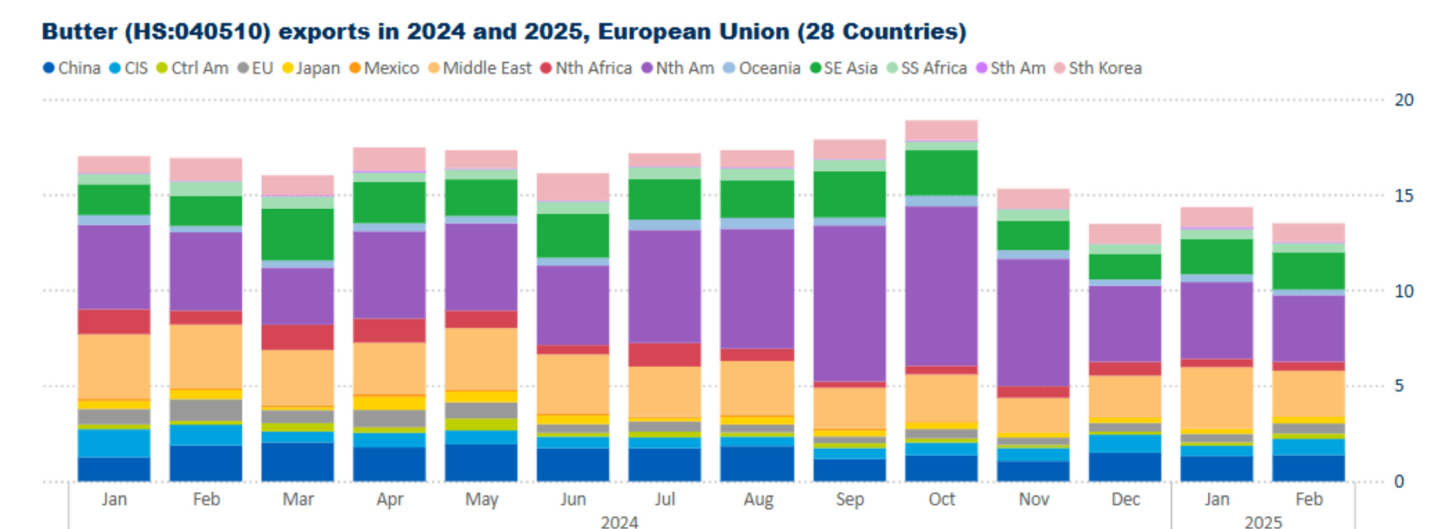
## Butter

**Demand-side:** European butter isn't the most competitive on price in the world of International Butter trade, and that has had its effects on exports. Exports are down since Q4 2024 and the February 2025 number noted a loss of 3.4Kt compared to February 2024. Irish producers quite openly exported stronger numbers at the end of Q4 in anticipation of Tariffs, so that may weigh on current exports to the US. Exports to the Middle-East and North-Africa were down as well. Domestic consumption, which is the bulk of where European production goes, gives mixed signals, some countries are reporting demand losses, others are still closer to neutral, depending on consumer preferences.



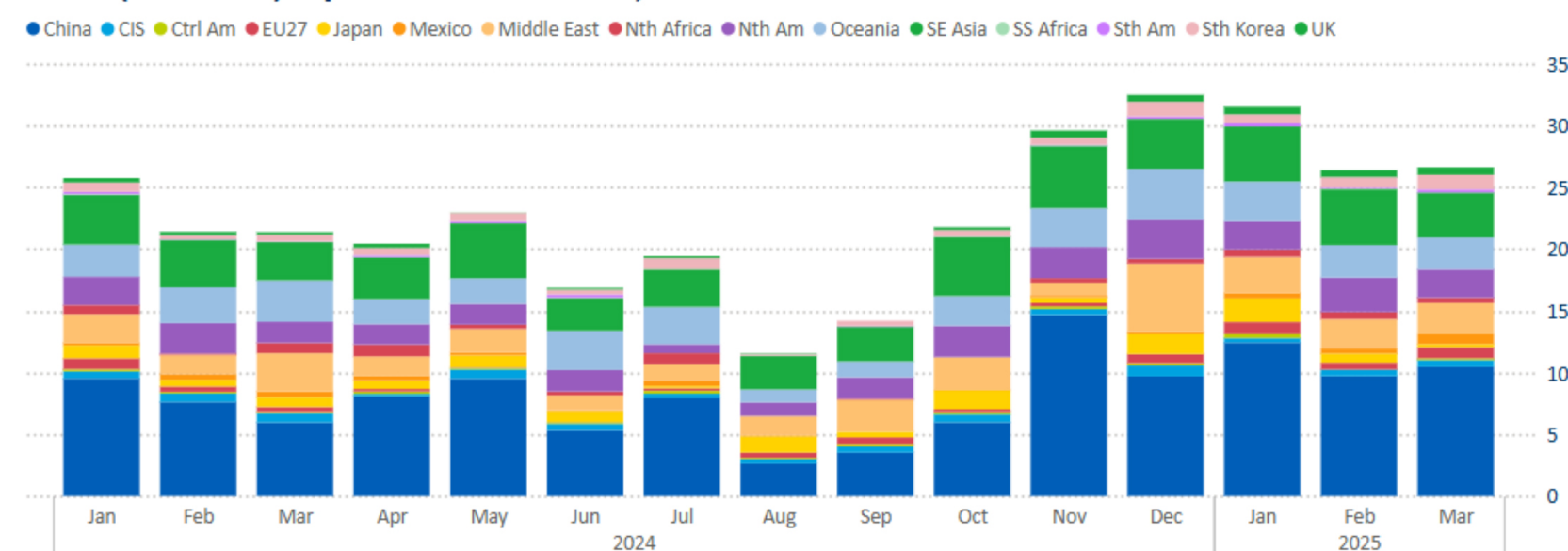
It's expensive and Europe's exports are slightly down, and fat percentages are pretty strong. And then there is still the risk for domestic demand destruction as well. Note that the combination of stronger fat levels and some demand destruction could eventually lead to slightly higher stocks.

Global Import demand for butter (and AMF) kept pretty strong and both January and February showed fair import demand. Europe, expensive, isn't the only exporter tough and the demand has helped NZ Exports more than Europe's. The gap between EU and NZ butter has been closing and NZ is turning to their winter, Milk production struggles, and we don't see the cow numbers to really ramp up production, which continues to lead to pretty tight stocks, relative to previous years. Cream production has been fair.



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### Butter (HS:040510) exports in 2024 and 2025, New Zealand



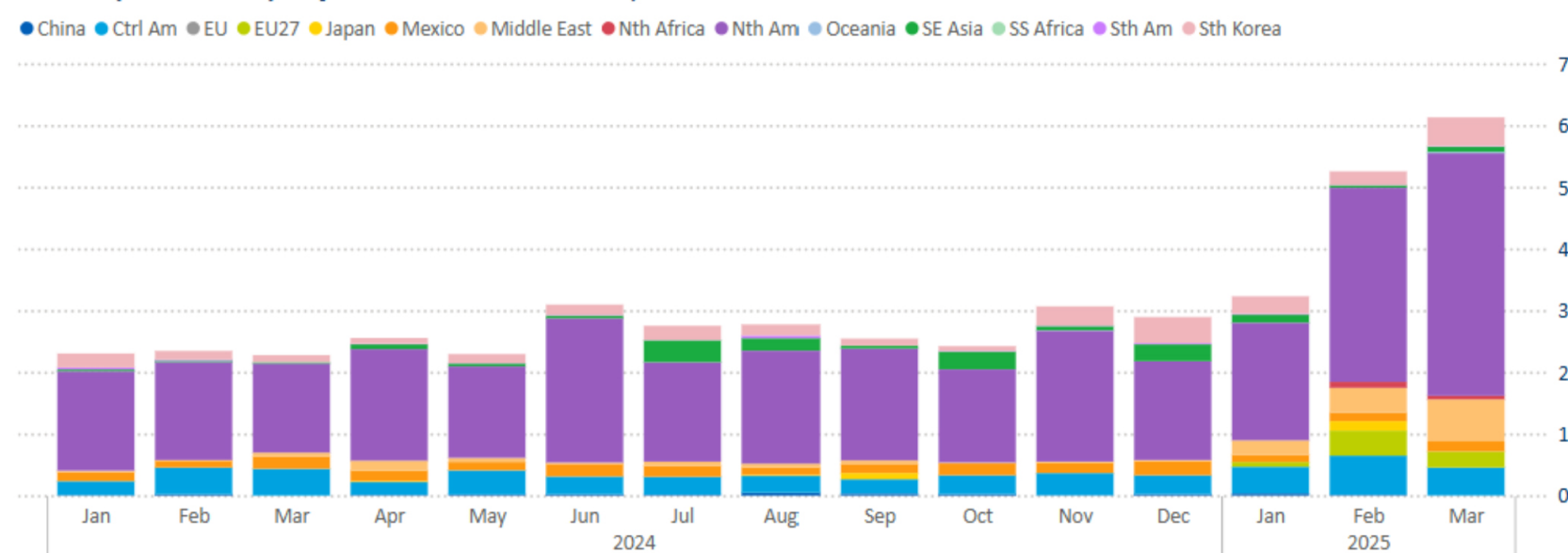
## US Butter

**US Butter production March** increased by a whopping 8.6% YoY, and up -counter seasonal- from February 2025 by 2%. Adjusted for the leap day last year.

## US Cold storage March

Butter ending stocks came in at 323.7 million pounds, up 4% YoY and 5.9% stronger than last month. This marks the 14th consecutive month of YoY growth. Because of the record levels of butterfat, cream multiples have been down YoY since mid-February. Class II multiples have picked up seasonally in the Western and Midwestern sections of the US and some recovery is underway. US Butter (which is technically a different product in most cases) is relatively cheap given the oversupply. Exports were quite strong.

### Butter (HS:040510) exports in 2024 and 2025, US





# A Quick Note On... US Whey.

## US Dry Whey Production and inventories

Dry whey has experienced an 11.7% year-over-year decline, marking its eleventh consecutive month of falling prices. The demand is shifting towards high-protein whey products, reducing the need for traditional sweet whey powder. In the animal feed sector, production has also decreased, with a 22.5% drop in March compared to the same month in 2024, marking the seventh consecutive monthly decline. Despite lower production, stocks increased slightly from February to March by 670,000 pounds. However, overall stock levels remain below those of the previous year, with March's total being the smallest for that month since 2014. Prices are hovering around \$0.50 per pound, which is historically low but considered fair given the not overly abundant inventories.

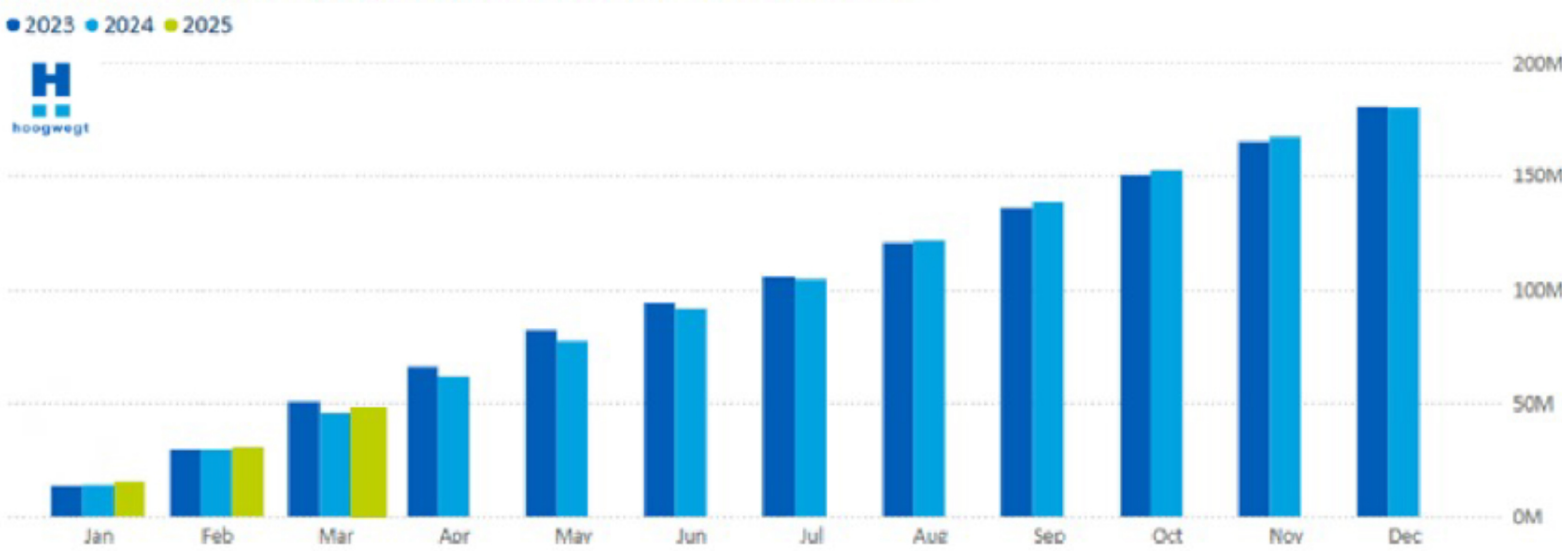
## US Domestic utilization

USDA's Feb 2025 report saw domestic whey utilization dropped to its lowest monthly volume on a 30-day adjusted basis since November 2022. This significant decline in domestic use led to an increase in dry whey stocks, despite reduced production. Manufacturers are increasingly shifting towards high-protein whey products, as more food companies prefer to incorporate these into their formulations to enhance protein content. USDA's March utilization report noted another loss for domestic utilization, -14% YoY. Exports eased some of those losses.

## US Exports

Demand was again strong in China and Canada, perhaps frontloading on tariffs with China seeing an increase of 3,281 metric tons (66% year-over-year) and Canada rising by 971 metric tons (61% year-over-year). The total volume for March reached 15,714 metric tons, the highest monthly total since March 2023.

Cumulative Dry Whey exports (0404104000) in Metric Tonnes.



# China.

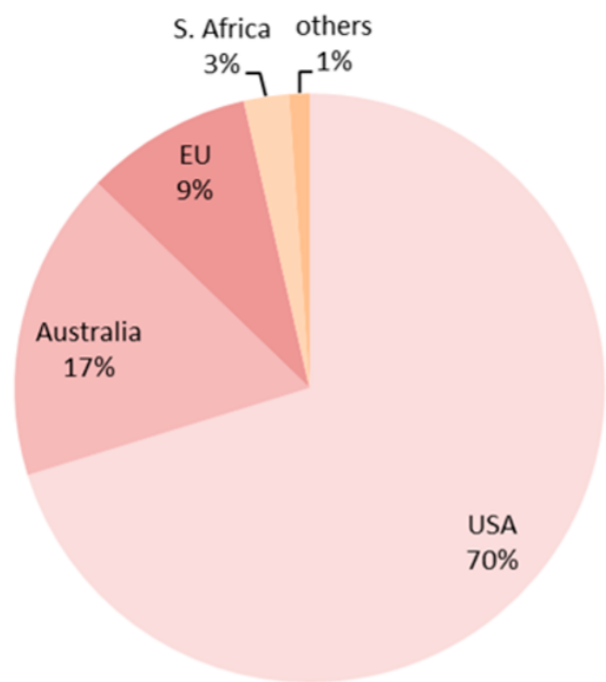
## China-US Trade War - Direct Impact on China Dairy Industry

When China imposed retaliatory tariff on USA imports after USA added 'reciprocal' tariff on China products, we saw tariff on USA goods above +125% by the end of April after several rounds of escalation. Although at the time of writing, there has been a 90 days truce, it's difficult to say how China-US trade war will end this time, we could think over how China dairy industry and global market would be impacted by looking at the trade map at current stage.

Superficially the largest dairy product China imports from USA is whey powder (HS '0404), followed by lactose, WPC80+, cheese and SMP. However, rising farm cost would be the most important direct effect on China dairy industry due to USA is top origin of China dairy cow feed and frozen sperm imports, meanwhile, global trade flow of these products would change as well.

- Alfalfa** - USA is top origin of China alfalfa imports, responsible for +70% in 2024, although China alfalfa imports dropped since 2022 (from 2 M mt in 2021 to 1.3 M mt in 2024) due to oversupply of local raw milk and surging domestic alfalfa production. Local media reported China alfalfa production surpassed 3 M mt yearly in 2023-2024. Meanwhile alfalfa import price dropped by around 25% YOY in 2024. Australia, EU, S. America and S. Africa could make up for USA alfalfa market share in China but probably with higher prices due to USA is top alfalfa exporter on the earth.
- Soybean** - soybean is the largest product China imports from USA in value, meanwhile soymeal, produced from imported soybean by China factories, is key feed for animals including dairy cow (around 40% goes to pig feed). China ranks the 4th largest soybean producer in the world, following USA, Brazil and Argentina, and still imports >80% of domestic consumption from abroad (105 M mt of imports in 2024, +6.5% YOY, vs 20 M mt of domestic production in 2024), although weak demand for pork and milk curbed demand for soymeal in recent 2-3 years. Brazil and USA accounted for 71% and 21% of China soybean imports in 2024 respectively. Brazil market share increased due to surging soybean production and cheaper prices in recent 2 years, while Brazil and Argentina market share could rise after US-China trade war.
- Frozen sperm of dairy cow** - China imported 9.5 million herds of dairy cow frozen sperm in 2024 and USA accounted for 86% of them. 2024 China's dairy cow frozen sperm imports dropped YOY for the first time since 2014, -28% YOY, due to local raw milk oversupply and surging domestic frozen sperm production (31 million in 2020 vs 45 million in 2024) and improving quality. EU and S. America could make up for USA but possibly with higher prices.

2024 China alfalfa imports by origin



Secondly, whey powder did remain the largest dairy product China imports from USA in recent years. In 2024 China imported 502kt of whey powder (31% of global trade), with US and EU28 representing 46% and 35% respectively, for the rest origins Belarus 9%, Argentina 4%, Turkey 2% and others 4%.

However, in global trade, whey powder (HS code '0404) includes SWP, demineralized whey powder, whey permeate and WPC 30-70, while actually 80-90% of China imports from USA are whey permeate, the rest are SWP and WPC30-70, according to detail import data (showing protein content) available during Jul 2017-Apr 2020.



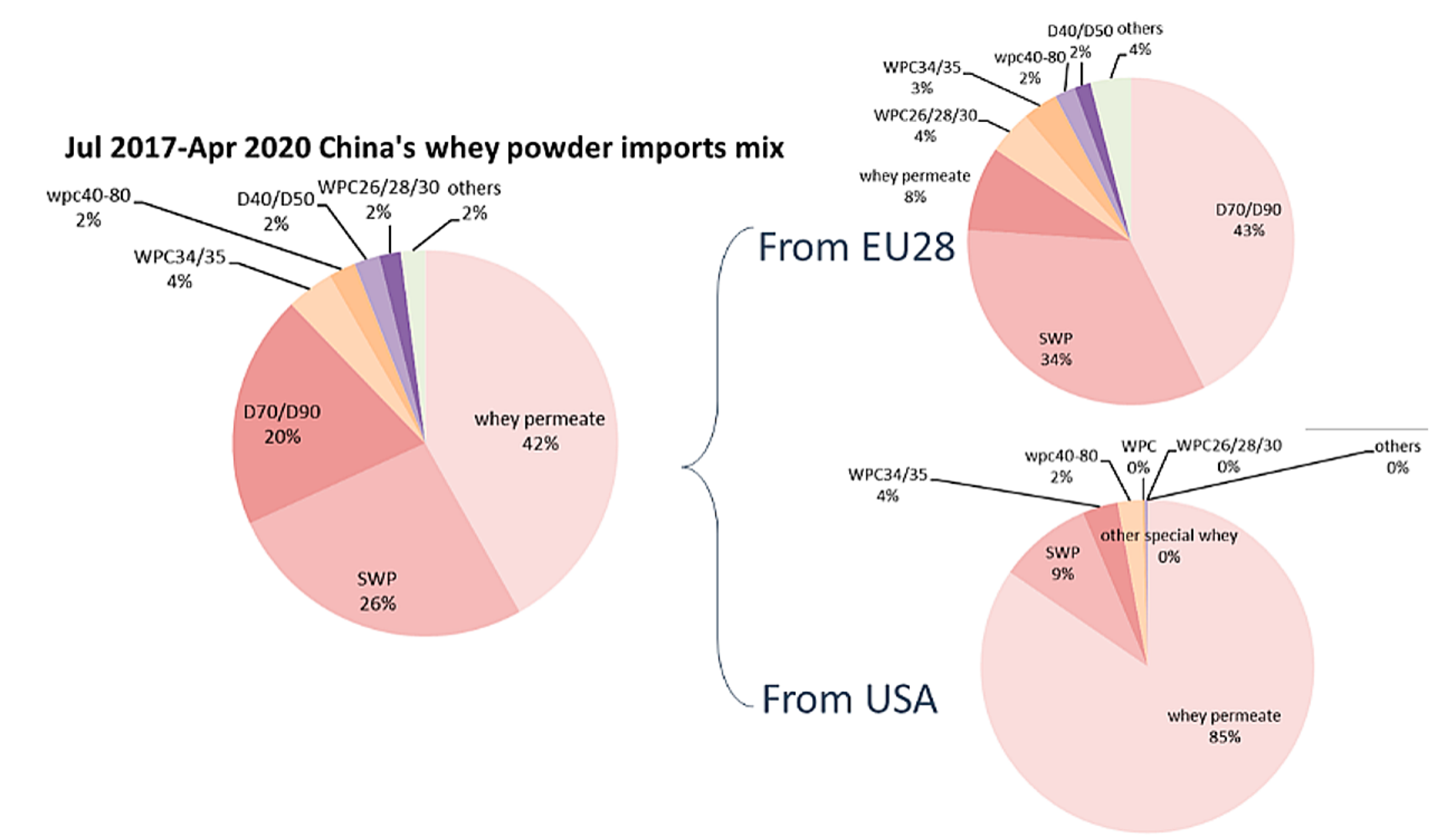
→ continuation

Most whey permeate is used as pig feed in China especially when to accelerate piglet growth. For pig farms, whey permeate price is very sensitive because it could be replaced with other low-price products like lactose, SWP, sugar, rapeseed meal etc.

For comparison, US whey permeate import price averaged \$600/mt while EU whey permeate import price averaged \$770/mt during Jul 2017-Apr 2020. Low price is the main reason that US whey permeate dominates China market.

Even though China imposed retaliatory tariff +25% on US whey powder (HS '0404) imports during Jul 2018-Feb 2020, US whey permeate is still responsible for +80% of China whey permeate imports despite of falling market share. But if additional tariff is +125% this time, it might be difficult to import US whey permeate any more. We have heard US whey permeate offer prices dropped significantly trying to find buyer.

Lactose and WPC80+ are the rest two dairy products that US accounts for the top origin of China imports, while EU is the 2nd largest one for both, so that EU might be able to replace US market share in China but maybe this would also result in higher prices and trade flow changes in global market.



# CME Futures.

By: Neil Hunt, Derivative Trader, HTM/AM

### CME Butter

The below chart shows CME Spot Butter with weekly bars spanning the past 3 years. Since our last update on the CME in the Jan25 issue of Horizons, support at \$2.50 per lb. gave way, and prices trended lower to test 2023 lows around \$2.30. We now have been consolidating for past 10 weeks between \$2.30 and \$2.40. Historically low Cream multiples led to lots of Butter being churned in Q1, and Spot Butter still remains readily available despite a large pickup in exports the past two months. With Cream multiples now improving and solid export numbers continuing, recent weakness is expected to dissipate by Q3. The futures curves still shows a strong carry, with Butter prices back to \$2.60 by October.



### CME Non-Fat Dried Milk

The below chart shows CME Spot Non-fat Dried Milk with weekly bars spanning the past 3 years. The Non-Fat market faced a steep 7 week decline beginning in mid-January returning to the previous range of \$1.10 to \$1.25 seen for most of 2023 and 2024. With that, US origin SMP quickly went from the most expensive to the cheapest relative to EU and Oceania prices. Although overall production remains low, demand has continued to disappoint as we near the end of the US milk “flush” season. That said, it appears we’ve found a bottom around \$1.15, and the market is looking more supported with spot prices reclaiming \$1.20 and the futures curve showing prices around \$1.30 by the end of Q3.





→ continuation

**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. Class III began the year with a 3 month downtrend from \$21.00 to lows of \$17.00 per cwt as longer term bearish narratives of increased Cheese production facilities starting up later in 2025 weighed on the market. In late April Class III reclaimed \$18.00 and prices are now challenging \$20.00 per cwt and \$2.00 Cheddar Cheese. The new Class III formulas go into effect on June 1. This includes eliminating the 500-pound Cheddar Barrel from the formula, and an implementation of adjusted make allowances. A second formula adjustment will occur effective December 1 where changes will be made to the component formula factors. The next few months will be some to monitor closely as we see how the Global Dairy market adjusts to these changes and new market dynamics.



## World Comment.

**Danny Prangsmā**  
**Senior Account Manager**  
**Dairy Essentials Europe**



### **Fifteen Years in Dairy: A Journey Through Markets and Innovation**

Fifteen years ago, I entered the dairy industry, spending the first half as a purchaser for one of the world's largest young animal feed companies which is based in the Netherlands.

During that time, I discovered the diverse qualities of dairy products. To outsiders, it may all seem like white powder, but the properties and applications are incredibly varied. Tasting, analysing, and understanding these nuances became second nature and gave me a deep appreciation for the industry.

After seven years, my background in trading – a decade in spices, vegetable oils & fats – led me to Hoogwegt. Here, I oversee Feed operations, leveraging both my experience and my roots as a farmer's son.

But how did I end up over here while having studied construction management? Nothing is carved in stone I guess...

Coming back to work, my client base includes nearly every young animal feed company in Western Europe. My understanding of fluctuating markets and their immediate impact on buyers allows me to anticipate and address their needs effectively. Beyond Feed, I've spent the past two years as Whey Product Lead for EMEA, collaborating with a global team of specialists. Our weekly meetings foster not only professional growth but also a strong sense of teamwork under the motto: "We connect & We collaborate."

### **The Changing Whey Market**

The whey powder market has evolved dramatically. Advances in concentration to 35% and later on 80%, or even higher have expanded its uses in recipes. Demand for whey in sports drinks, infant, and senior nutrition has surged, improving its value. Where 50% of whey once went to feed, that's now down to 25%. Liquid feeding for calves has further reduced demand for standard sweet whey powder.

Food trends like protein-enriched yogurt and drinks offer nearly endless opportunities, while protein bars and high-protein diets—aided by trends like Ozempic—continue to grow. This U.S.-driven shift is already gaining traction in Europe, raising both opportunities and ethical debates.

However, market dynamics remain unpredictable. Import tariffs from Trump's era have pushed China to avoid U.S. products, forcing American producers to seek new markets. Will the EU fill the gap? Time will tell. For now, the market's volatility ensures no two days are ever the same and as a trader our fun is in this highly volatile market as much as possible.





# Hoogwegt Happenings.

In April, we had our Annual Skal Organic re-certification audit for Hoogwegt International, Hoogwegt Milk, and Hoogwegt Cheese.

This certification specifically applies to the Organic products we trade in, such as Organic butter, cheese, skimmed milk powder, and milk.

During the audit, our systems were thoroughly checked against the EU Organic standard through traceability exercises and auditor questions.

We are happy to announce that we have passed the audit!

Do you have any questions on Organic products? Get in touch with your Export / Account Manager now!