

#04



Horizons.



Page 03

Market Direction

The Global Milk Run: Tracking Production Trends Worldwide.

Page 6

Butter Battle: What's Churning in Europe?

Page 8

A Quick Note On...

Page 11

World Comment.

Page 12

Hoogwegt Happenings.

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.

HOI!

Welcome to the latest edition of our newsletter – your go-to source for insight, analysis, and updates from the world of dairy.

In this issue, we chart the ‘Market Direction’ with a focus on global milk production trends, followed by a ‘Deep Dive’ into the evolving dynamics of the European butter market.

Our ‘Quick Note’ section is a bumper one this time, covering US WPC80+, a look at SGX Futures penned by Bart Whiteley (Derivatives Trader, HTM), and a quick recap on 2024 Global WMP Trade.

We also bring you a sharp global lens in our ‘World Comment’ with perspectives from Rob Pentinga, Senior Account Manager at Haverro Hoogwegt.

And don’t miss ‘Hoogwegt Happenings’, where Pacific Dairy Ingredients (PDI) shares highlights from a fun-packed and productive March 2025.

We hope you enjoy the read!

As Always,
Hoogwegt Horizons Editorial Team

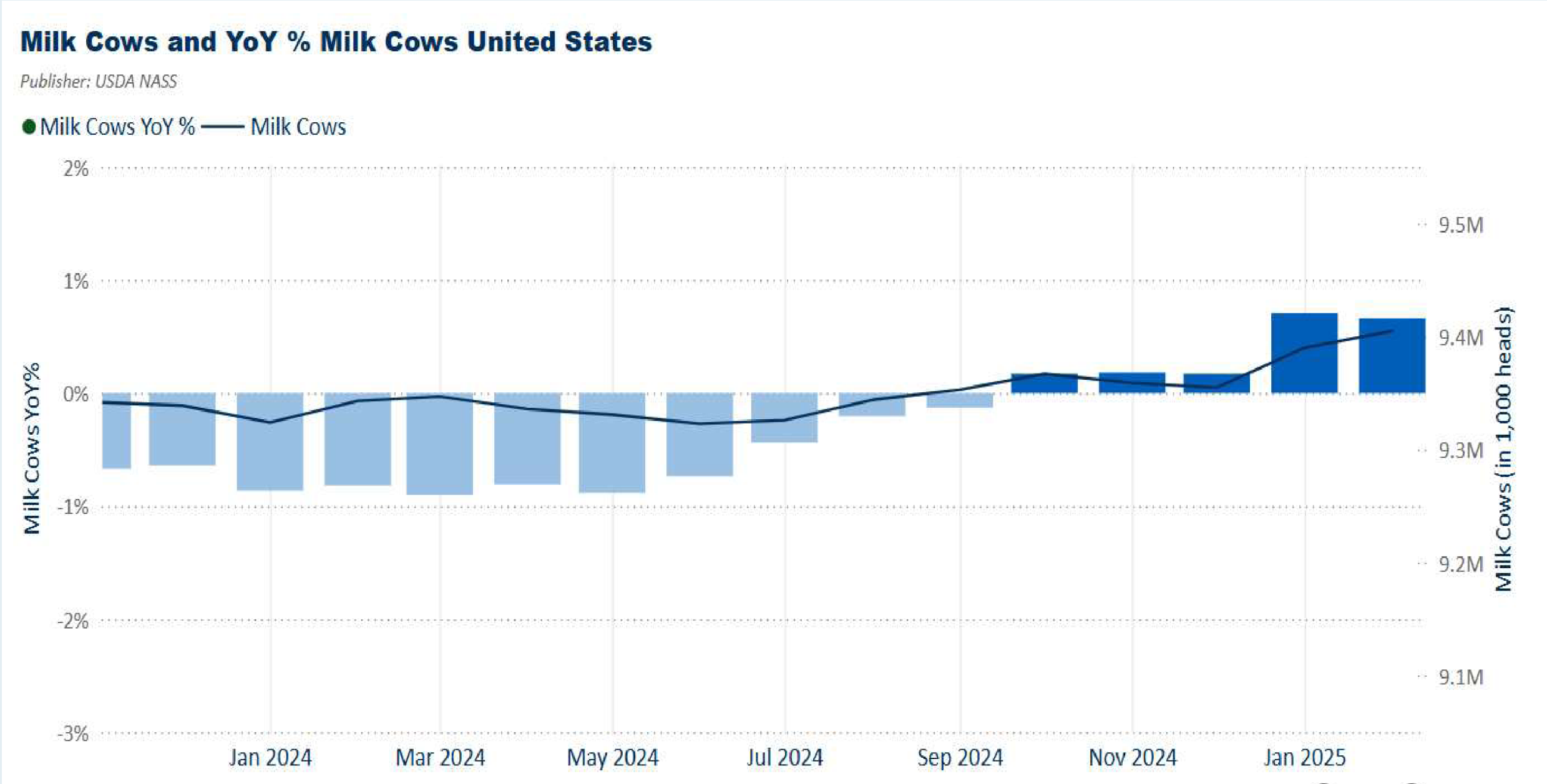
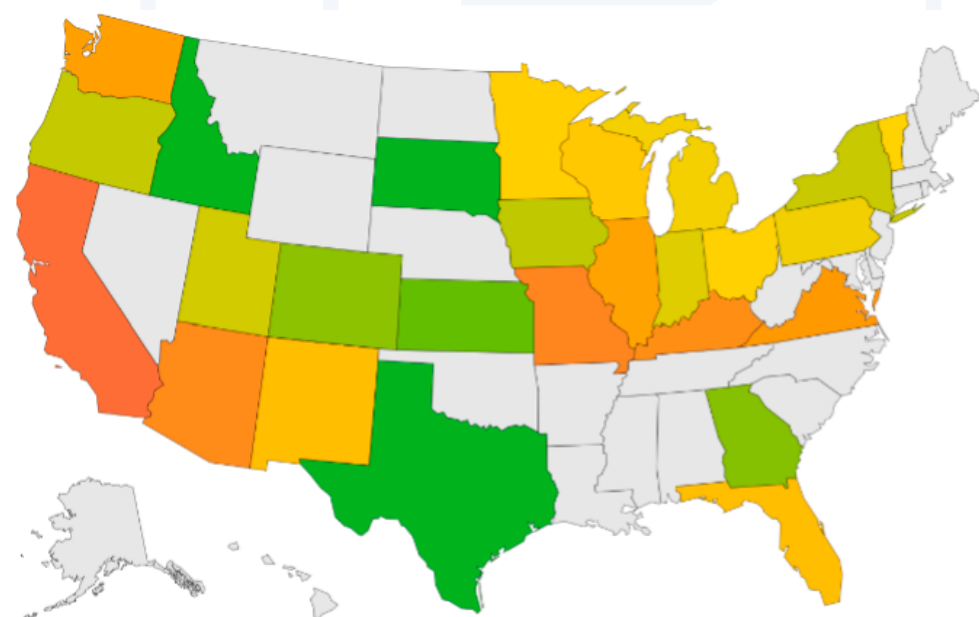
Market Direction

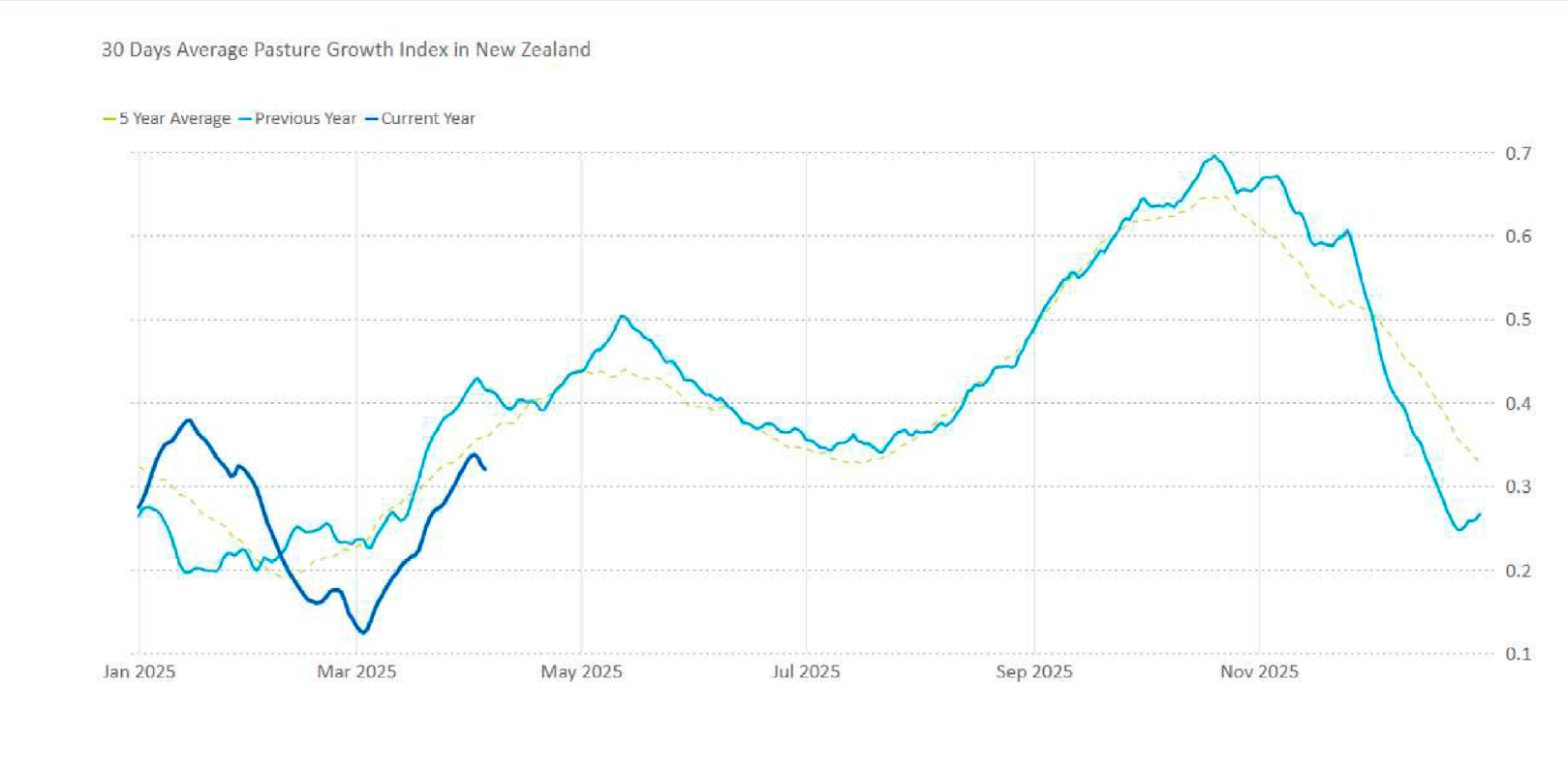
The Global Milk Run: Tracking Production Trends Worldwide.

US Milk Production

January 2025: +0.1% YoY. In line with expectations, back to overall growth for first time since October, with California's decrease now at -5.8% vs last year. Bird Flu in California is still a worry on the short term as it has a negative effect on production in an important Non-Cheese producing state. The comparable months of last year were weak in 2023, so Q1 has growth potential.

- Both milkfat and protein levels have been stronger than all recent years, leading to a YoY positive milk solid production. Protein is 0.3pp up from last year, Fat percentages are on average 0.07pp stronger.
- Herd size is still positive, 41.000 cows more than January 2024. The fourth consecutive positive month.
- Slaughter has been low but expensive replacement heifers exacerbates challenges in increasing milk supply.
- Bird Flu is still a risk, due to new strains and continuously spreading.
- Changed: Due to easing farmgate payout margins have eased due to a lowered farmgate milk price compared to last year. Note there could be lower feed prices. Income over feed margin should be in the mid-zone.





→ continuation

EU Milk Production

December milk production in the EU-27 should come in at 0.8% YoY. Fat levels are stronger, but protein levels were neutral on December 2023.

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, for example in Poland where the spreading stopped when temperatures turned low.

- Margins for farmers are still profitable, with an average 53+ cents farm gate price and 20% lower feed costs compared to last year.
- Smaller herd size: Decreased stronger than average: German milk cow numbers -3.3% YoY, France -2.87% YoY, NL -2% YoY, Ireland -2% YoY.
- Fat percentages are doing better than protein levels.
- There is a new case of Foot-Mouth Disease (FMD). (7th of March, Hungary). Unlikely related to the German case. The outbreak was detected in a cattle herd on a farm in Kisbajcs, 1 kilometre from the border with Slovakia. As a result of this outbreak Hungary has lost its FMD-free status. It's probably unrelated to the German case earlier this year (per tests on the strain), so that's good. On the other hand this case happened on a farm and that gives worries on transport and farm-interactions before this case was detected. Hungary took measurements after this case was detected: "By Friday, March 14, the entire affected livestock population had been terminated. EU and Hungarian measures on the protection and surveillance zones are in place and all for now, it seems that the outbreak has been contained."
- There are a few detections of BTV-3 disease in Poland that could spread on rising temperatures neutralising potential milk production growth. Poland didn't report new cases yet.

New Zealand Milk Production: A continuous positive standpoint.

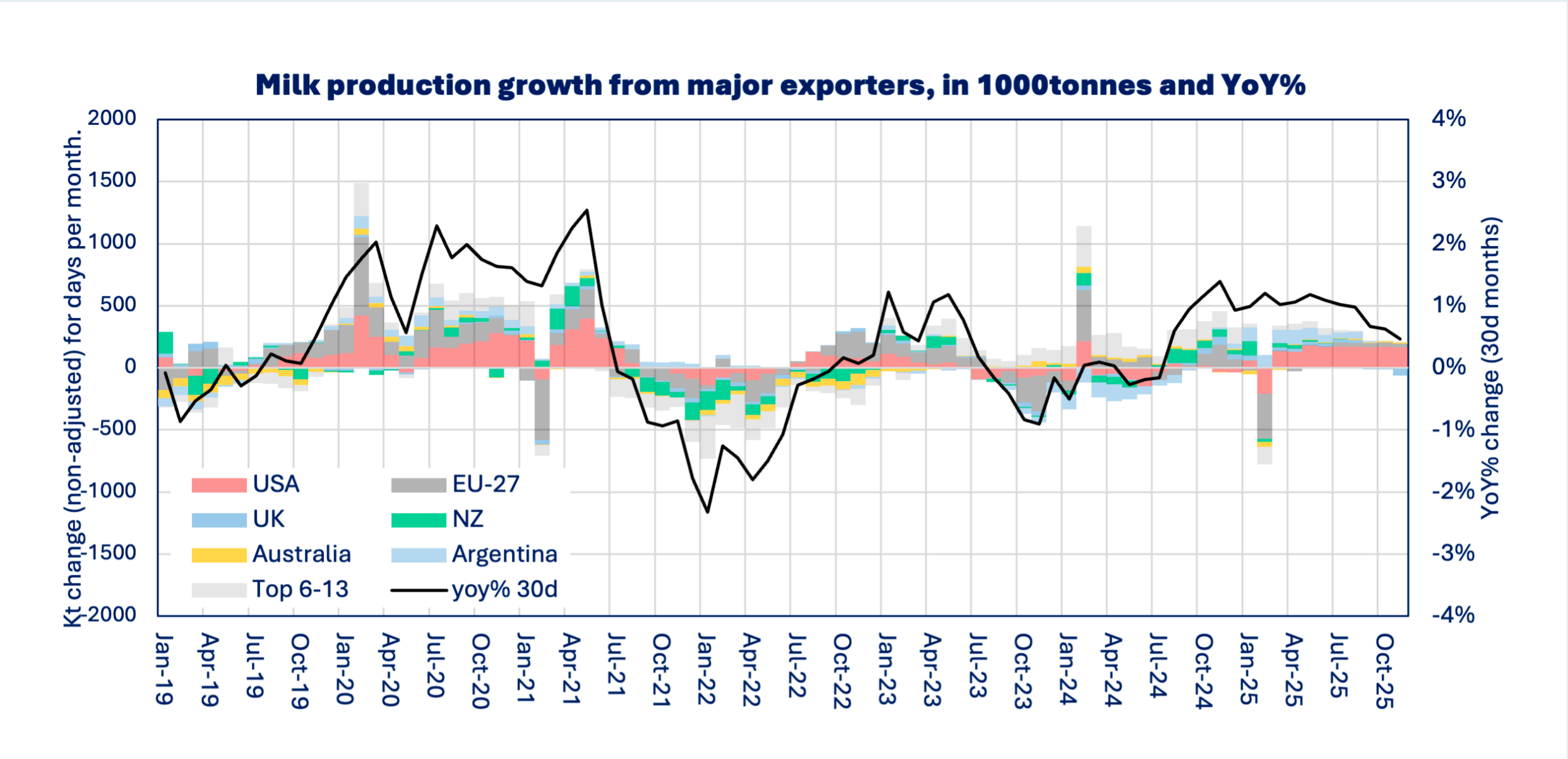
January noted a strong +5% YoY. The 5.0% YoY improvement was stronger than what the NZX prediction (midpoint) which had forecasted 0.8% YoY. January's result is the highest for the month since January 2021. Overall, this now brings to season-to-date figure to a 3.9% improvement on the 2023-24 season.

- PGI is easing. The 30d rolling for Pasture growth is showing weakness. The rolling average dropped below both last year and the 5 year average since somewhere mid-February and continues to trail below it, especially on the Northern Island. This could give some weakness while we're moving towards the end of the season.
- Low slaughter from July-December. Low Slaughter in July (-29% YoY), August (-37% YoY) and September (-14% YoY), November (-18%), December -10%. October had a small uptick (+8%). All in all around 41k cows slaughtered less, adding a relative positive stance on the herd size. The January 2025 cow slaughter report was slightly stronger, +99% YoY but do note that seasonally the absolute numbers are low around January.

→ continuation

Conclusion

In conclusion, combined exporters still have growth potential, although in Europe that growth should be limited due to lack of cows and could turn weaker if Blue Tongue spreads. Australia but turned YoY weaker recently, and could remain weaker limiting export availability. Chile grew strong (+3.2%), Argentina (+4.5%) and Uruguay (+3%) were all positive in December. Belarus reported a continuation of their strong streak (+3.5%) in November. Turkey had very strong milk production (more than 12% in all of the past four reported months (July–Nov). On the importers side; Chinese milk production should be negative YoY.

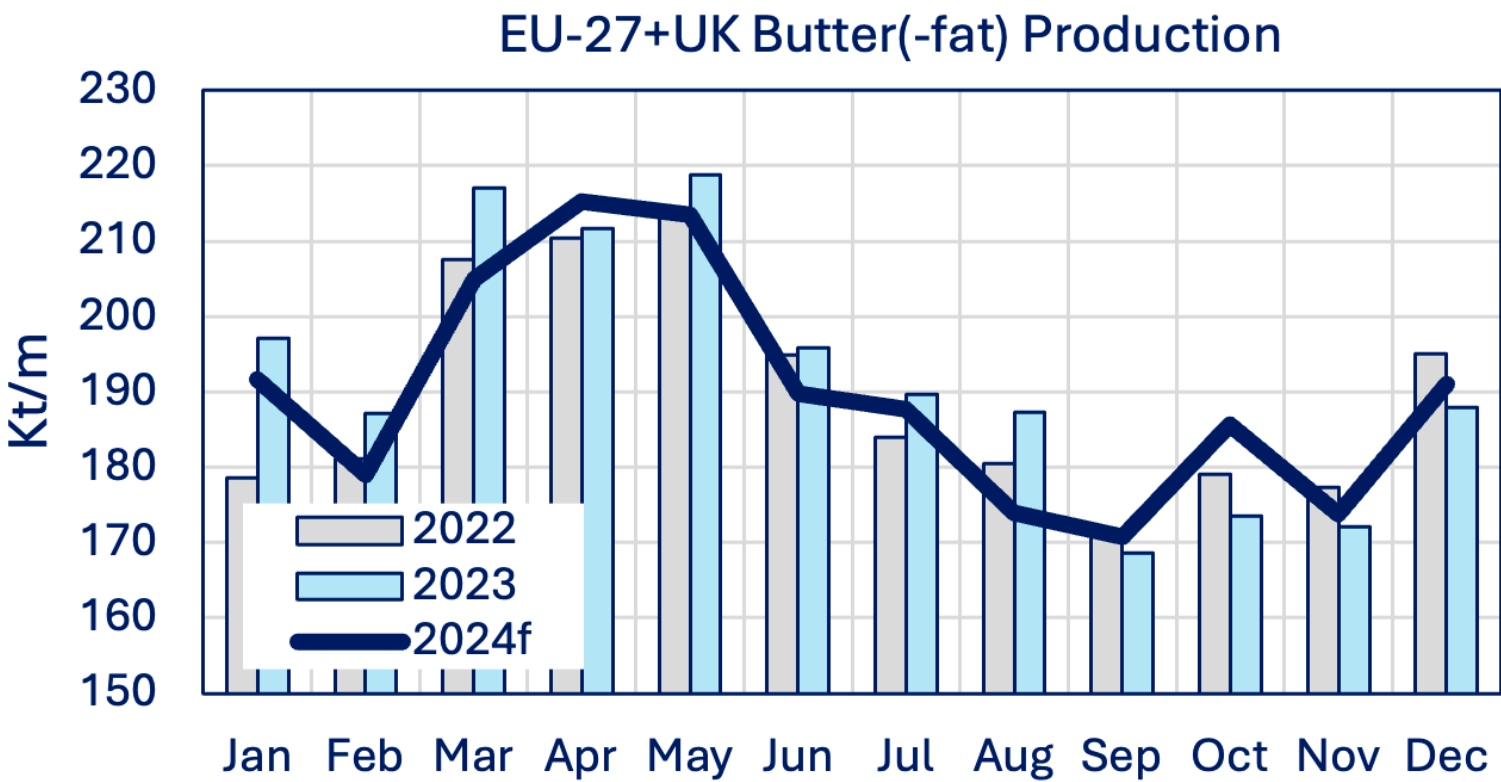
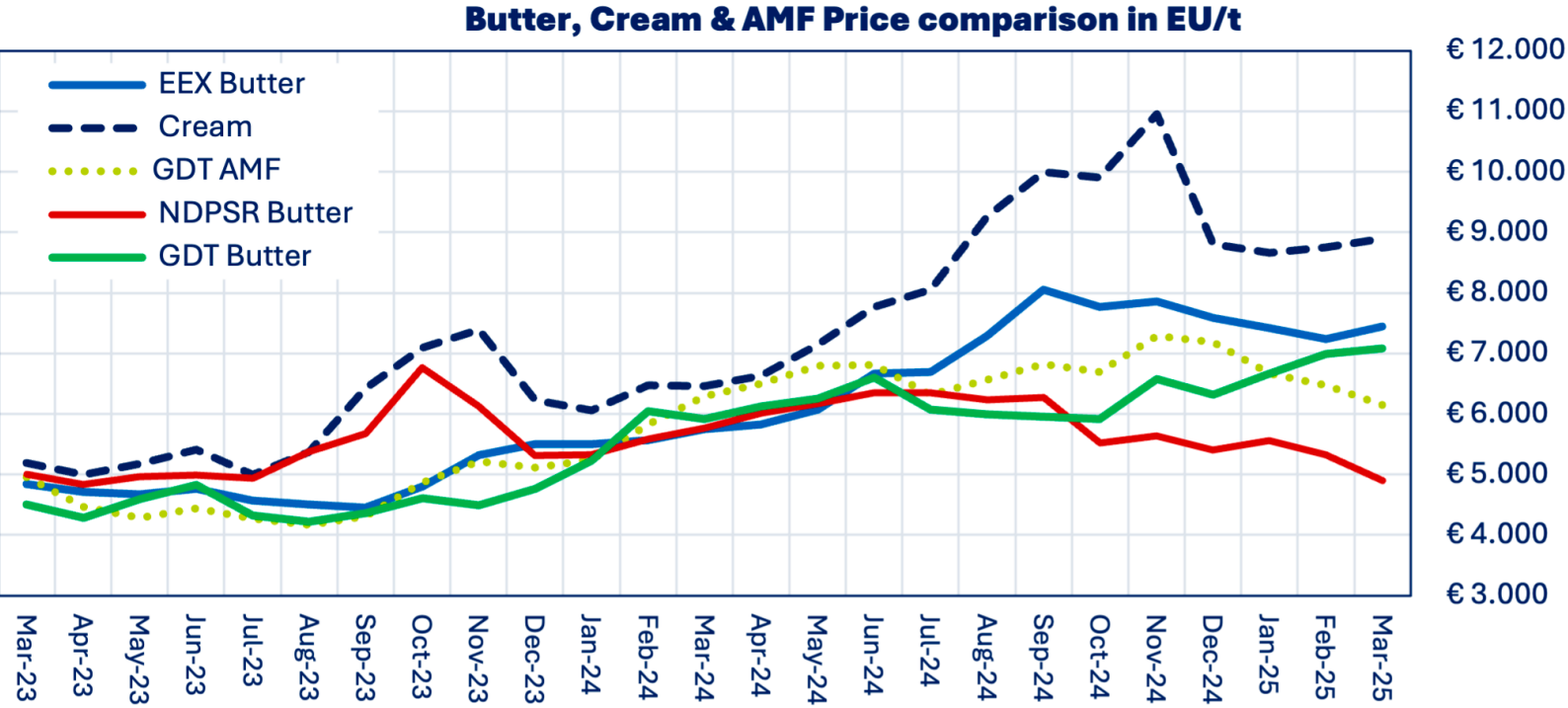


Dairy Deep Dive

Butter Battle: What's Churning in Europe?

EU Butter production in the EU27+UK was stronger at around 191k MT, registering 5Kt or +2.7% YoY more than December 2023. Preliminary January figures also showed slightly stronger production.

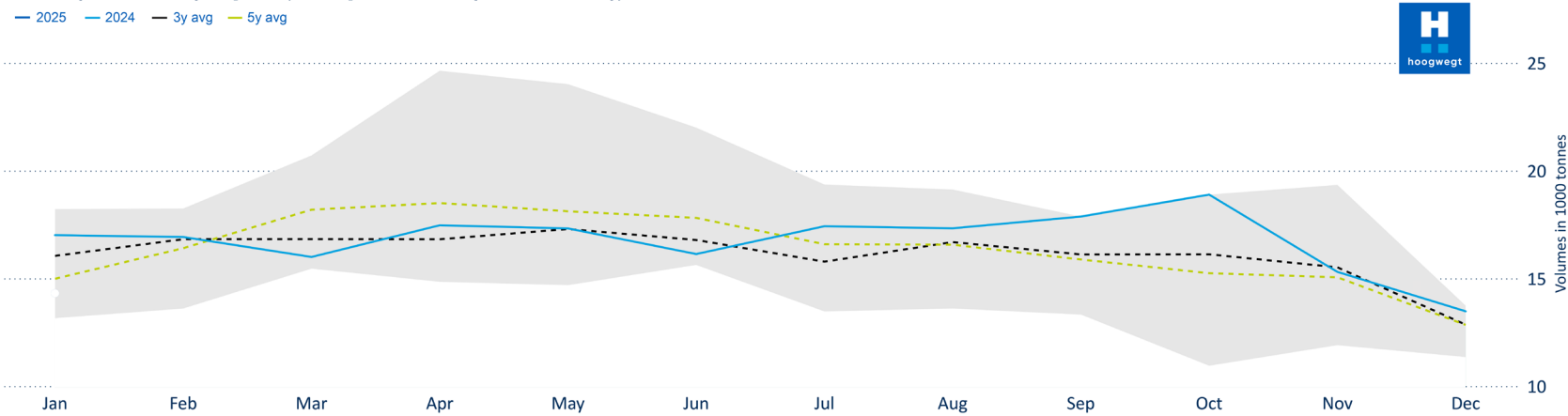
- Growth in Germany, Poland and Ireland. Less in France, Belgium and others. A green ending to a year when, overall, butter production was 1% less. Reasons for the Q4 rebound in production can be found in the milk growth and stronger fat levels, valorisation wasn't unfavourable either, although Cheese + high WPC production should outweigh SMP + Butter valorisation.
- German weeklies for 2025 so far were positive, +7% YoY in the first 11 weeks combined, on less milk. That doesn't have to be representative for the rest of Europe but provisional January figures are also showing a 2.5% growth in production so far, but some countries still have to report.
- Latest EC stocks report reflected on September stocks and were reported to be lower than last year, so more importantly: there will be an update within weeks, reflecting on end of 2024 stock-level.
- December EU27 production of Cream (for direct consumption) was strong at 231k MT (+8k MT YoY), totalling the year at 2658k MT or +3.6%. UK Production for December was 1 mln litre weaker in December.



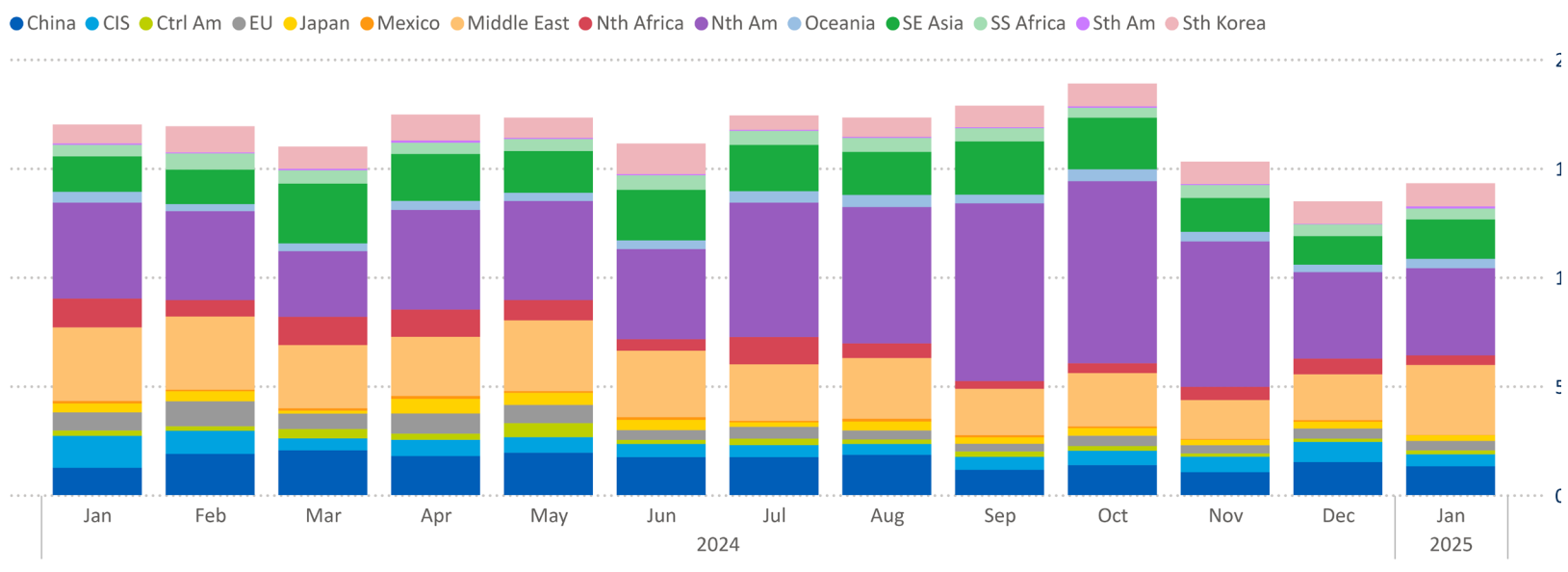
EU Exports

EU27+UK Exports (reported as EU28 in the chart) were a bit weaker than last year in January. 15.8k MT compared to last year’s 19k MT. European butter isn’t the most competitive on price in the global market.

Butter (HS:040510) exports, European Union (28 Countries), 2025



Butter (HS:040510) exports in 2024 and 2025, European Union (28 Countries)



European Butter: Bulls & Bears

Bulls:

- Domestic butter, cream and milkfat use has been strong in 2024, and the long term trend is positive. Cheese production (taking almost 40% of EU Milk fat) is also still reported to be ok, while milk production growth wasn’t great.
- European butter stocks were estimated (EC) to be low at the end of September, and the seasonal production curve doesn’t give enough production to have EU’s stock rebuild since, so they still should be low (but flush is closer and closer).
- Blue Tongue can come back during spring and combined with structural issues for NW European dairy farmers, the already weak projected milk production growth could stagnate or even decrease.
- NW European Dairy herd is on a stronger than average decline and limiting the ceiling of production growth.

Bears:

- Margins for farmers should give a strong incentive for those who can, to ramp up production and milk-solids. Fat levels also continue to be strong, leading to better availability of milk fat.
- Historically, with prices likes this there is some demand destruction, both domestically and in terms of import demand. Some producers might look at alternatives for milkfat. Some look outside of Europe due to the spreads. Retailers might want less volumes, etc.
- Although last year the demand for cream was very strong, that kind of growth is not the new normal, is it?
- NZ seems to have strong supplies due to increased butter/AMF production outweighing exports, and market integration might increase due to new trade agreements (NZ shipping into UK, EU).

Watchlist: Trade wars, tariffs, EC Stock update.

A Quick Note On... US WPC80+.

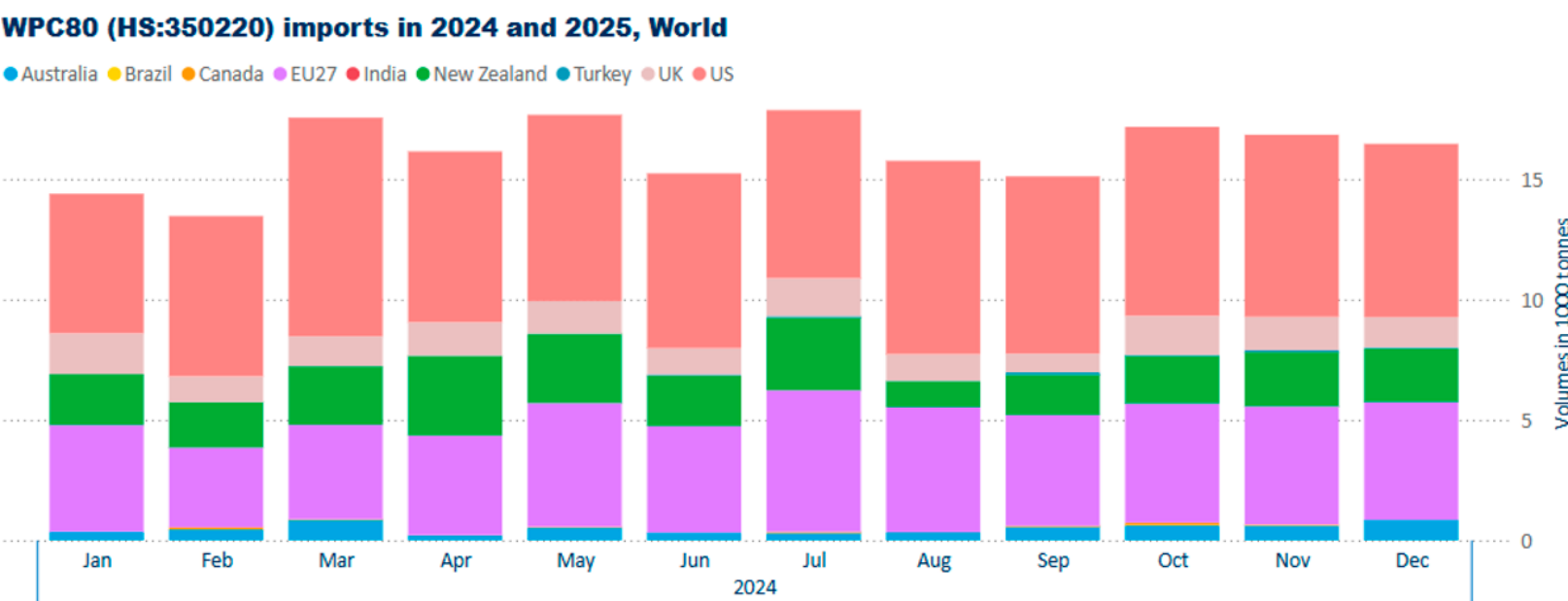
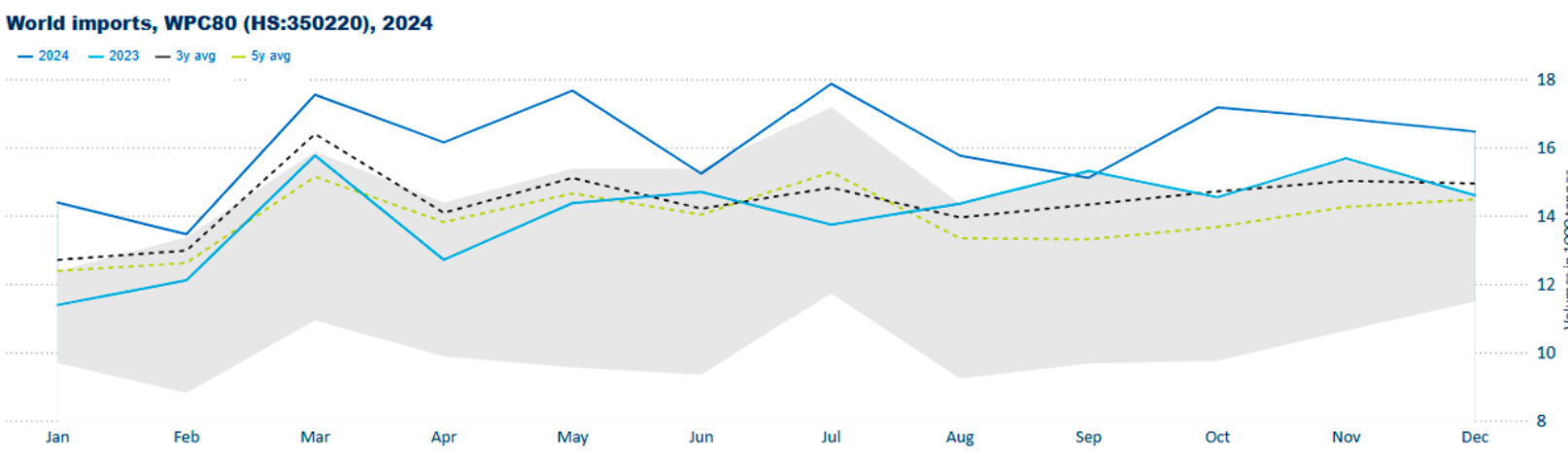
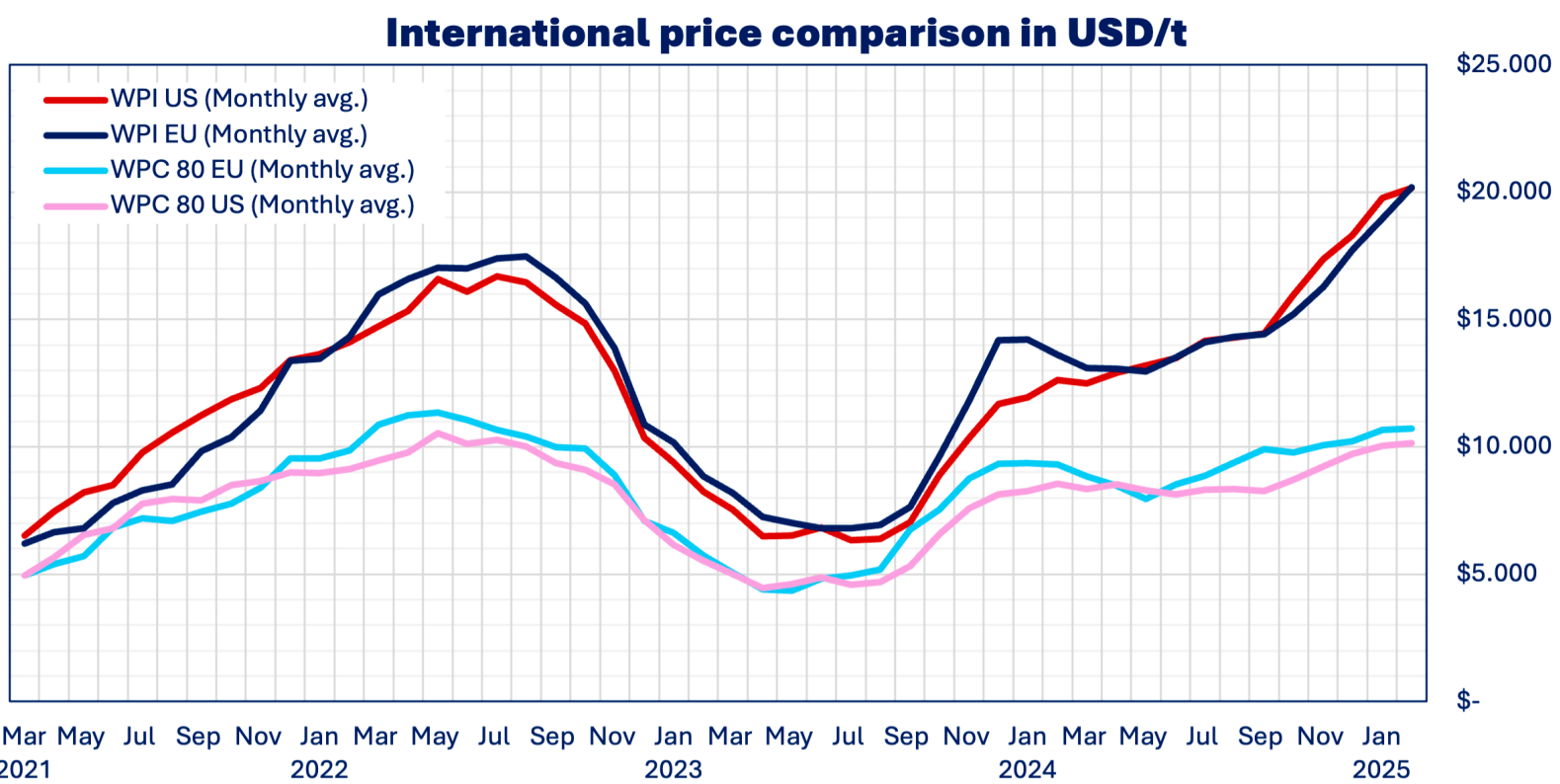
US WPC/WPI January '25 Production

US WPI Production for January 2025 was up by almost 20% YoY. While WPI Stocks were down (-5.7% YoY). WPC 50-90 Production was down 7.5%, stocks were flat YoY. Lower (25-50) WPC production was down, 18% YoY. Stocks down too, -9% YoY.

Demand-Side: Imports per exporter

With all exporters having reported on the full 2024 it's time to make up a balance. Global Import demand for WPC-80 (HS 350220) have been high across the full year with 11 out of 12 months outpacing the previous year and well above the past five years. Demand for higher concentrated whey powder has been strong. The US shipped 44% of the global demand in December, EU27 did 30%, NZ did 14%, UK almost 8%.

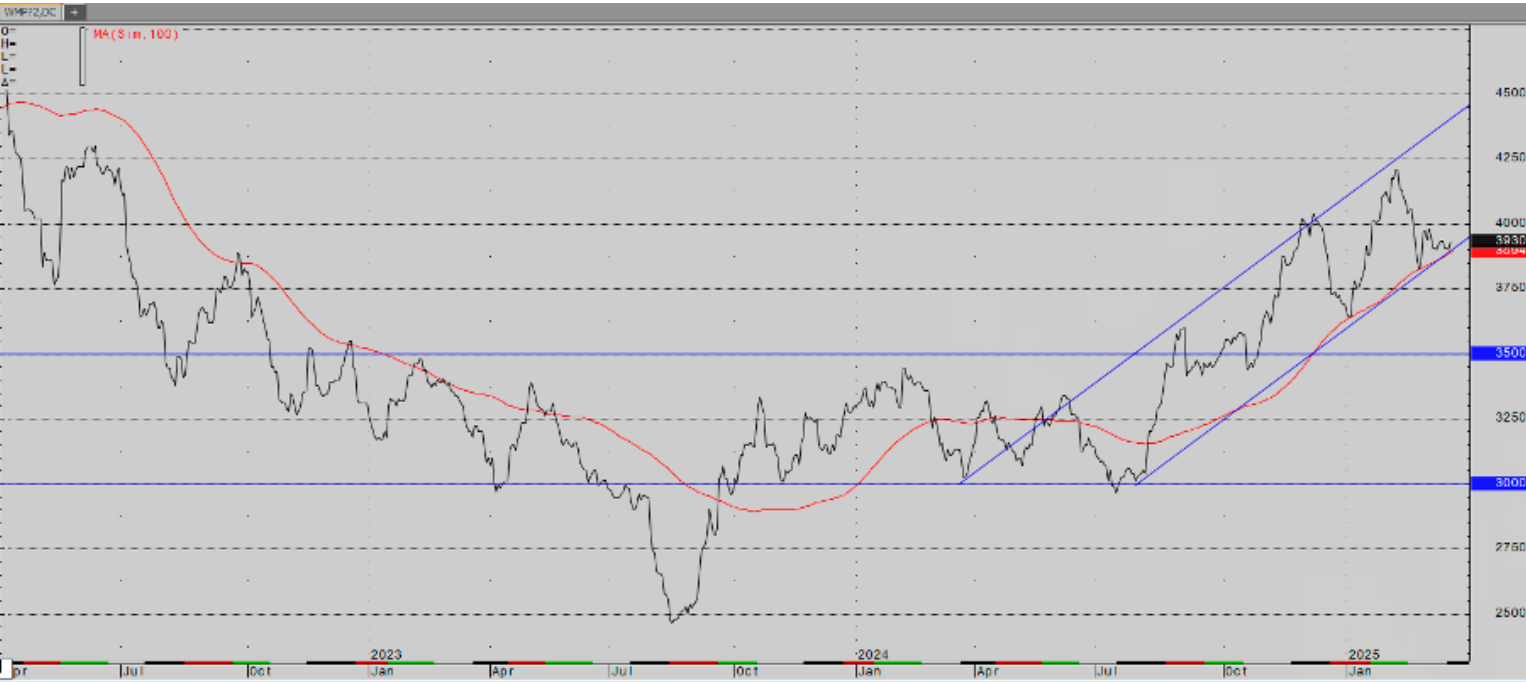
A lot of demand growth came from China. 5.300 tonnes total for December, which was whopping 3.000 tonnes more than December 2023 and in the light of the Tariff-theatre it's good to see a break-down of who was shipping. The US has a strong Market share there, 54% of December export to China had American origin, versus 27.5% European.



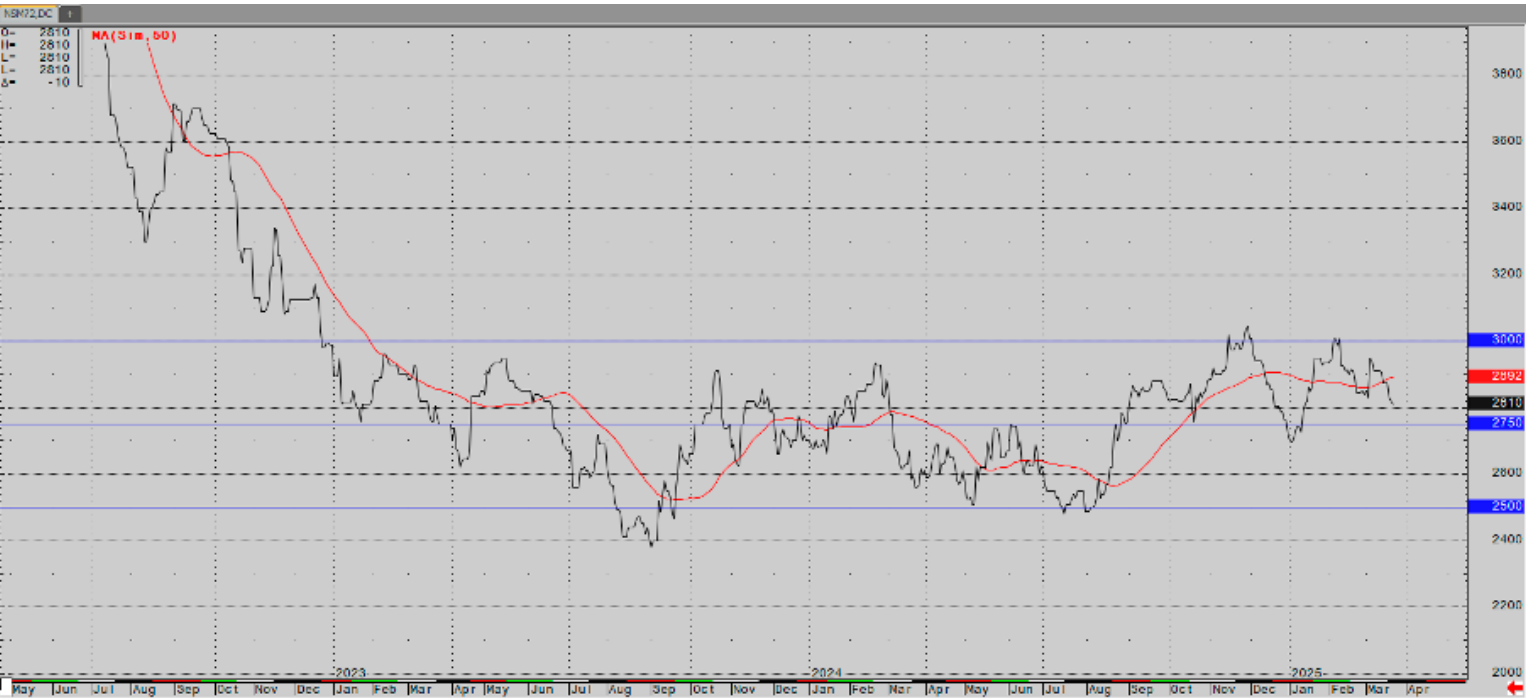
SGX Futures.

By: **Bart Whiteley, Derivatives Trader, HTM**

After breaking out of the 3000–3500 range in which we spent 18 months, WMP has been in an uptrend which is currently under pressure. The SGX WMP 2-month contract is currently nudging the 100-day moving average which is in line with the bottom of the uptrend channel. This is the 3rd time this year that we have hit these resistance points and so far we have been unable to break on the downside, although the most recent “rally” doesn’t fill one with confidence. An increase in price from here keeps the uptrend alive, however breaking on the downside could see prices slide to 3600.



The SGX SMP market has stuck in a 2500–3000 range for the last 2 years, however that range has narrowed in the last 6 months to 2750–3000. SGX SMP prices remain elevated compared to EEX and CME, so the upside seems limited unless global SMP prices increase.



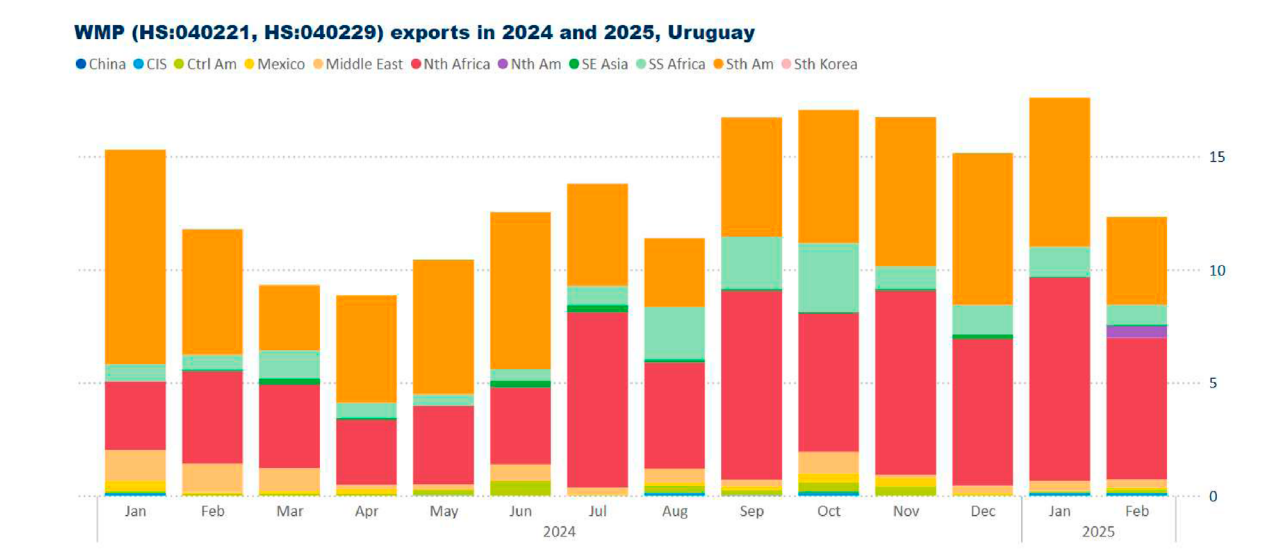
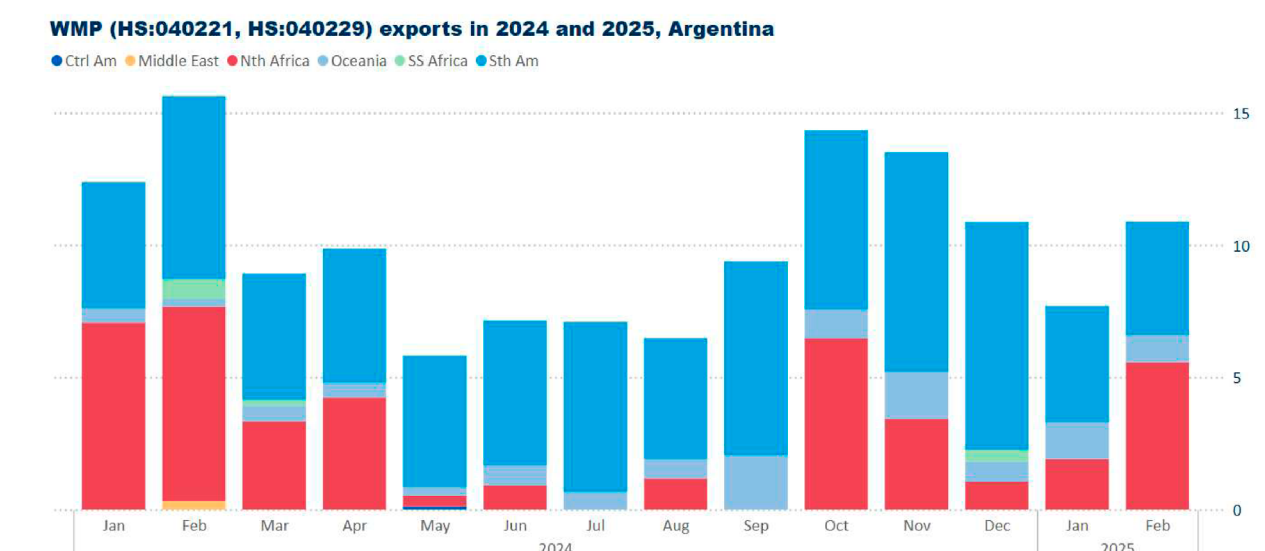
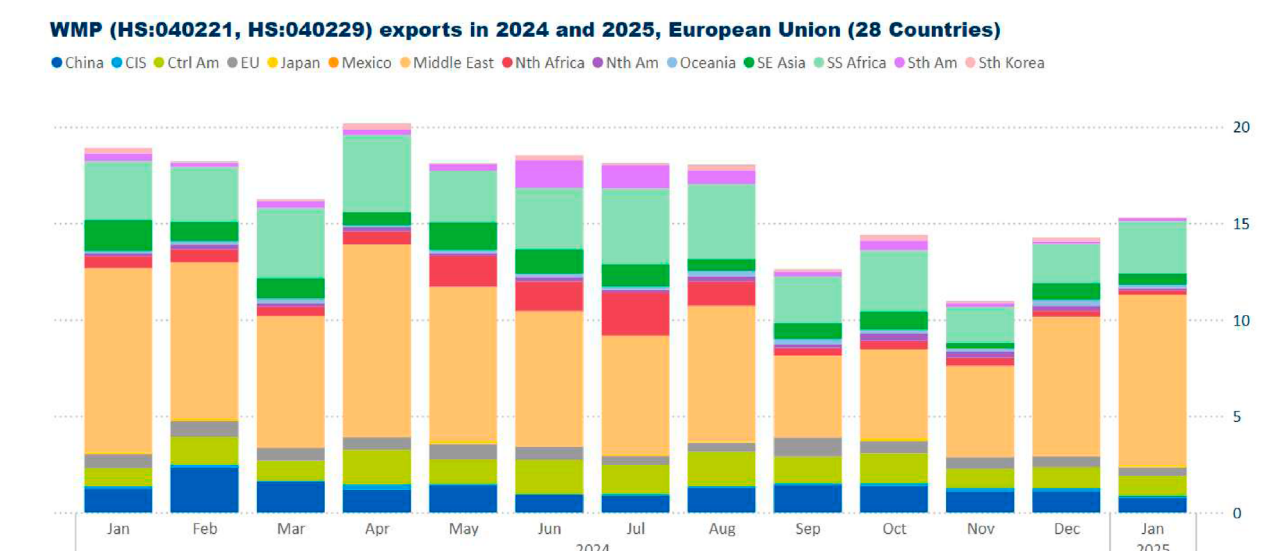
In the year of 2024 world WMP trade slid by -1.6% or around -30 kt YOY due to less demand from China but rising imports for South East Asia (+2.6% YOY) and Middle East (+9.3% YOY). WMP imports from North Africa, SS Africa and S America (mainly Brazil) slid by -3.6%, -5.3% and -15.4% in 2024.

Global WMP trade (main exporter)

unit:kt

Month	2021	2022	2023	2024	2025
Jan	210	170	165	190	190
Feb	200	140	130	170	170
Mar	210	170	160	150	150
Apr	190	150	180	150	150
May	190	150	200	160	160
Jun	210	150	180	140	140
Jul	180	130	140	130	130
Aug	110	110	80	80	80
Sep	120	120	100	100	100
Oct	160	160	160	160	160
Nov	250	180	220	190	190
Dec	240	190	200	190	190

2024 Argentina exports advanced by +9.2% or +10kt YOY, due to more demand from S America (mainly Brazil) and N. Africa, although Argentina domestic consumption was still -28% YOY in 2024, not recovering yet till Dec. Uruguay WMP exports slid by -1.7% in 2024.

[illegible]

World Comment.

Rob Pentinga
Senior Account Manager
Havero Hoogwegt



After graduating in 2010, I started my career in the semiconductor industry in several commercial roles, spending in total 2 years of time in China and Taiwan. The high-tech aspect was interesting and the market is very dynamic due to the role semiconductors play on the global geopolitical situation. On the other hand, the sales processes took extremely long and after 8 years, I decided it was time for a new chapter in my career.

As I knew Hoogwegt is the largest privately owned dairy commodity provider in the world, and even based in my home-town Arnhem, it was a quick decision. When I finally joined Havero Hoogwegt in 2019, I needed some time to adapt, but after a year or so, it became clear that I definitely did the right thing. I was lucky to join a great team of inspiring colleagues that even got me to join the running classes on Tuesdays.

In 2021, I got the opportunity to take commercial responsibility for the Whey Protein Portfolio of Havero Hoogwegt. This seemed to be an interesting promotion in terms of product category, but also in terms of timing. Global demand got sparked in 2021 by the pandemic with whey protein prices setting new records in May 2022, followed by a big collapse that lasted a full year. This was a challenging period that nobody that was involved, will quickly forget. Second half of 2023, the prices finally started to crawl back up again due to increasing global end-consumer demand and normalizing global supply chains.

Today, whey proteins are globally seen symbolic for healthy lifestyle and food processors have noticed

that 'protein sells', incorporating and marketing it in many different food products. Even though supply is maxed out everywhere, it can hardly keep up with demand. Specifically domestic demand in USA is remarkable, which is partly related to the fast growing usage of weight loss drugs like Ozempic. This recently has pushed WPI prices into unknown territory and WPC80 close to record high levels of 2022, which brings great value for whey processors. However, the buyers on the other side of the table are nervous keeping in mind the free-fall of prices in the second half of 2022.

In Sports Nutrition market, we start to see (slightly) increased end-consumer prices and lower discounts on promotion sales, trying not to scare the end-consumers too much like 2 years ago. It is interesting to see how this will affect end-consumer demand and consequently whey protein prices. Despite relative good Supply and Demand fundamentals, what could trigger price correction? I think we should monitor disruptive events like Foot-Mouth Disease (FMD) and global trade tensions, which could trigger short term price corrections of the products that are inflated too much.

I enjoy navigating through this volatile market together with my business partners and value a lot the discussions about the market dynamics. Let's chat!



Hoogwegt Happenings.

March has been a fun-filled month for our sister company Pacific Dairy Ingredients (PDI).

Food Ingredients China 2025 happened between 14 and 19 March 2025 in Shanghai, and our PDI team, along with Meelunie had their booth and welcomed business partners from all over the world.

Boh Xuan Jie and Maggie Han conducted talks at the venue as well. Well done!

On 20th March 2025, PDI also had their New Office Opening! Congratulations!

