

# MEDIA RELEASE



*For Immediate Release*

*5<sup>th</sup> May 2023*

## GLOBAL DAIRY COMMODITY UPDATE MAY 2023

The outlook for market fundamentals is improving but there are some short-term headwinds to get through before we see some lift in product values. The EU spring milk flush will build SMP supplies, but the large unknown is the demand for cheese in the EU, which is – as we've seen in other developed markets – likely to stay subdued as households rein-in spending. If that occurs, increases in SMP output may be extended. The trajectory of EU milk production is critical to EU and global SMP fundamentals.

In the US, while milk output growth is slowing, the sustained growth in central regions ensures cheddar cheese output is increasing at a moderate rate. The arrival of cheap European mozzarella onto export markets is pushing more US milk into bulk cheddar and keeping cheese prices weaker but also more volatile.

EU SMP fundamentals will continue to have a major influence on the US non-fat milk powder market, although sustained demand from Mexico due to a severe drought is helping a little.

Nonetheless, milk production growth in both the EU and US is slowing as producers grapple with lower margins and, in the case of the EU, increasingly stringent restrictions on dairy's footprint. Slowing milk output should coincide with a recovery in Chinese and Southeast Asian demand for SMP which is well below trend but affected by more cautious consumer spending.

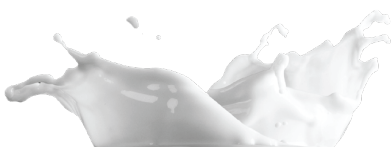
The NZ production sector faces a rapid shift into an El Nino climate event which brings further uncertainty. The production conditions for the new season are a lottery in any setting, but we'd expect an increase in milk output through peak months.

The other major uncertainty is the scale and timing of a recovery of China's WMP import demand, which will be driven by growth in local milk production, growth in local UHT milk sales, and a recovery in milk powder usage. The prospects for improved China's WMP import demand will determine whether there is a material reversal of the changes in NZ's product mix in 2022/23, back to a heavier weighting of WMP. This will knock onto the export availability of SMP and butterfat from NZ.

*Graph Reference: Fresh Agenda*

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*Maxum Foods – Global Dairy Commodity Update*



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**About Maxum Foods:** Maxum Foods is one of Australia and New Zealand's principal suppliers of dairy ingredients to the Human Health and Nutrition, as well as the Animal Nutrition industries. Maxum Foods specialises in supplying medium to large-scale food manufacturers with high-quality dairy ingredients such as milk powders, cheese and butter. Backed by top-level technical support and a huge dairy ingredient range, Maxum Foods have open global supply channels to source exactly what our customers need.

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