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For Immediate Release

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GLOBAL DAIRY COMMODITY UPDATE AUGUST 2023

Mounting supply side pressures are gradually improving global dairy market fundamentals. There are some early signals of improving demand in export markets, although some new affordability challenges are emerging.

In the short-term, commodity prices in the EU and Oceania are at the risk of weakening further through the typically quiet summer period in Europe, meanwhile seasonal increase in GDT product availability is being met by weak Asian and Chinese demand.

But something will give soon. Milk output will inevitably be curbed by harsher weather and weak producer margins, luring buyers back to cover requirements further into 2024. Global dairy trade has improved in overall terms but is still relatively thin and it is not convincing enough to counter a weak EU market still grappling with high food inflation.

The SMP demand recovery is sluggish with consumption in EU processed food categories slowly recovering. Reduced affordability and lower food service patronage in Southeast Asia has kept buyers cautious, and demand won't simply bounce back because it is below trend. Consumer spending is impaired, and food inflation will linger if El Nino hits rice and palm oil crops as is threatened in coming months.

There is little change in the situation in China with the long-awaited recovery in powder and fat demand still not there yet. The erosion of milk output due to weak margins and gradual recovery in UHT milk demand will eventually slow local WMP output. But with the seasonal lift in NZ availability, a strong recovery in domestic use of powder is needed in China to justify higher imports, despite the import cost advantage.

The juggling act for NZ producers will continue, but WMP demand is improving in the key NZ markets, justifying an increase in WMP output.

The brakes on US milk output are suddenly more apparent with latest data showing deeper cuts in cow numbers and no gains in yield, which recently gave the spot market a wake-up call. There is only one way milk output can go from here and with the US economy still firing, cheese and fat markets are slowly tightening.

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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