

For Immediate Release

6th November 2023

GLOBAL DAIRY COMMODITY UPDATE NOVEMBER 2023

Global markets continue to drift sideways with slowing milk production and languishing demand, but commodity fundamentals are mixed, and price action may be decoupled from fundamentals in the short-term.

The effects of a possible escalation of war in the Middle East looms over broader commodity and financial markets.

The EU market rallied across the board but is now drifting weaker in SMP. There seemed to be belief that SMP supplies were tightening and that GDT results were meaningful signals of better Asian demand. Underlying fundamentals for SMP are improving with slowing milk output, lower SMP output and good export shipments to clear product at low prices, but the demand side remains weak in both domestic and export markets.

Butter has rallied strongly in the past two months on the back of tight cream supplies, yet output kept rising and stocks seem adequate. The net effect of fat and protein values pushed cheese prices higher with supportive demand that also shows signs of flagging.

NZ's peak milk output is close to last year, but the interesting period is later in the season when the worst of El Nino impact could arrive. There is little change in the fine balance between NZ's WMP output and China's import requirements. Other regions have topped up WMP purchases to push prices higher. There are signs that China's internal milk market is tightening, but sourcing of WMP imports will be balanced with plenty of internal stock. It seems ingredient demand in China is weak, while cheese and butterfat demand is growing.

Demand from other markets appears mixed. Trade has been a little better in SMP and fats at low prices, but that is less certain going forward.

The US market will remain mixed as milk output stays close to flat compared to prior year through the coming months. Cheese prices have settled below the 2023 average despite slowing output and a firmer market in the EU. Forward values are likely to trend sideways, more reflective of fundamentals, impacted by weak demand growth. NFDM/SMP values remain strongly under the influence of global fundamentals despite tighter US supplies, and butter is likely to weaken to more affordable prices.

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Graph Reference: Fresh Agenda

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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.

For more information or interviews contact:

Edwin Lloyd

Executive General Manager - Foods

Ph: +61 7 3246 7810

Email: edwin@maxumfoods.com

For media enquiries please contact:

Agata Swanborough

Communication Manager

Ph: +61 437 624 966

Email: agata@maxumfoods.com

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