Ornua

THE HOME OF IRISH DAIRY

Market Report

July 2024

Global Dairy Market Overview

Global milk flows were flat in April and eased marginally in May.

Flows will turn positive in the second half of the year, though supply should end the year flat.

It was predicted in last month's report that European commodity pricing would stabilise in June.

While there have been modest movements up and down, this was the case for most dairy commodities.

Buyer activity in Europe eased recently and GDT pricing dropped.

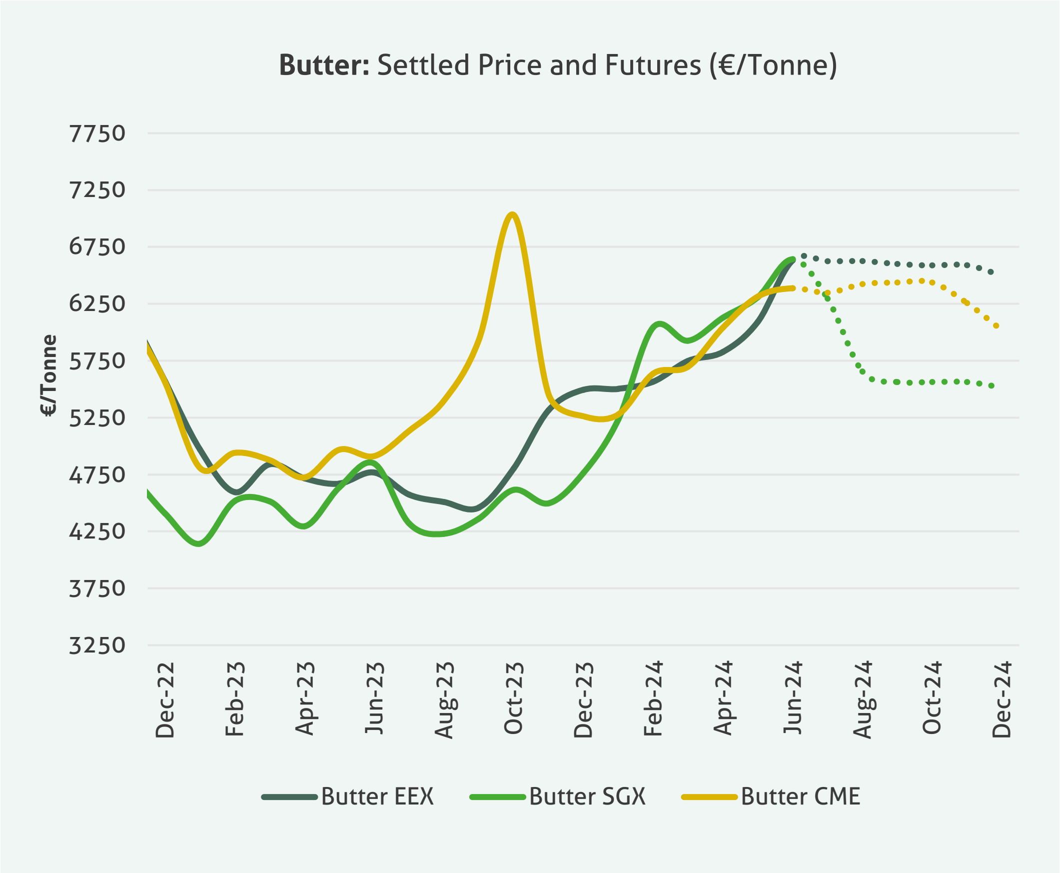
This dampened sentiment, though European and Oceania markets typically ease in July and August and pricing remains at a high level historically.

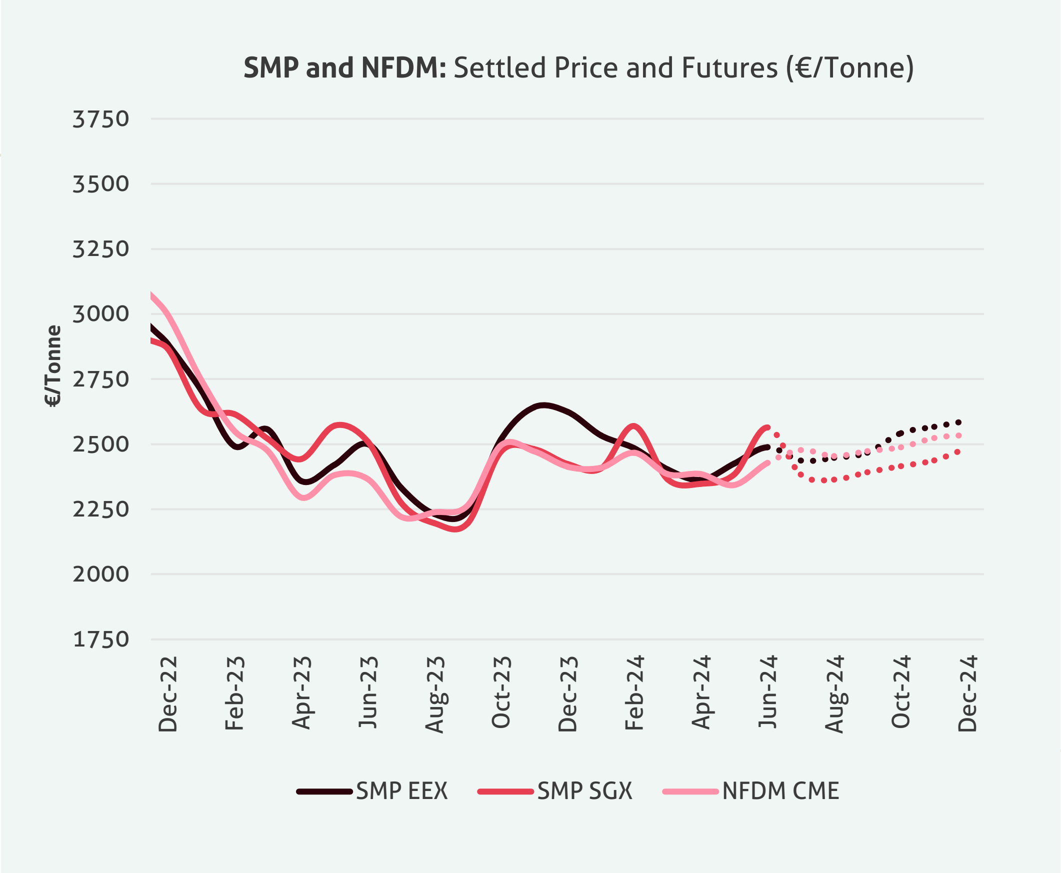
Buyer activity should rebound once the holiday season concludes, but demand will need to improve if pricing is to lift substantially.

PRICE MOVEMENT VERSUS LAST MONTH

	EU-27	US	NEW ZEALAND
CHEESE	€4,367 (EEX) ↑	€3,880 (CME) ↑	€3,685 (GDT) ↓
BUTTER	€6,637 (EEX) ↓	€6,375 (CME) ↑	€6,060 (GDT) ↓
SMP	€2,397 (EEX) ↓	€2,405 (CME) ↓	€2,395 (GDT) ↓

Historic Price Movements and Futures





Macro Barometer

SUPPLY

EU farm-gate prices

Prices have been flat or slightly higher in recent months.

Feed prices

Irish feed prices are tracking the 5-year average.

Fertiliser prices

Irish prices are also hovering around the 5-year average.

EU weather

Temperatures in Europe have been warmer than average.

Herd size and yield

EU cull rates increased but are in line with historic norms.

Global milk supply

Global milk supply is likely to be flat in 2024.

DEMAND

Retail sales

Dairy sales stabilised, but cheese is doing better than butter.

Foodservice

Sales are behind post-COVID peaks but have stabilised.

Dairy exports

After a strong start to the year, exports eased in March and April.

Global economy

Merchandise trade has shown tentative signs of improvement.

Currency

EUR is expected to strengthen slightly versus GBP and USD.

Global dairy demand

Demand stabilised, but the scope for growth remains unclear.

Global Milk Supply

Global Milk Supply

Jan-May 2024

Global:
Supply fell marginally in May (-0.2%) but volumes are tracking the three-year average.

EU-27:
Supply was sluggish in quarter one but improved in recent months (May +0.9%).

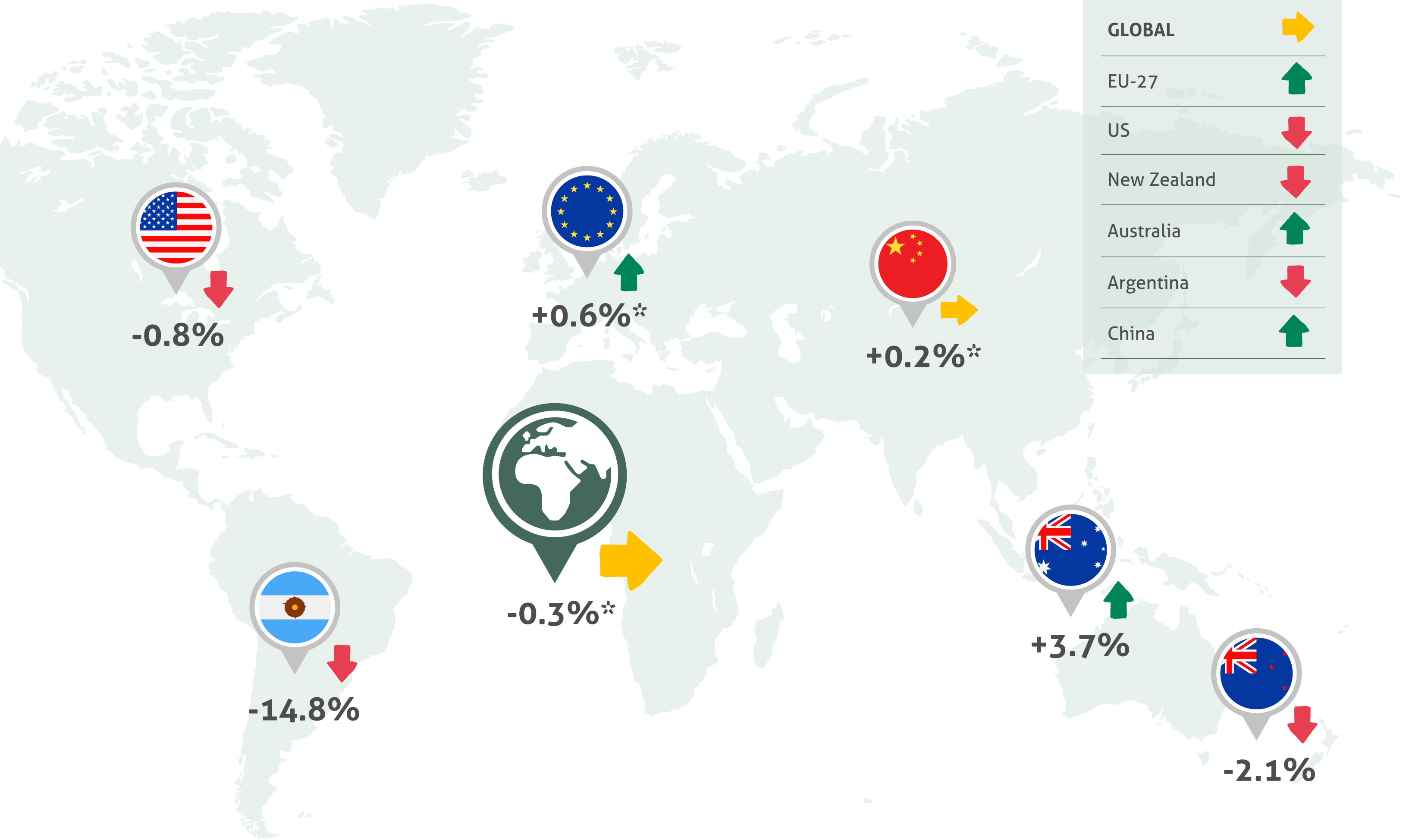
US:
Milk volumes fell by -0.6% in April and -0.9% in May; however, milk solids were positive.

New Zealand:
Milk flows and solids were weaker in May compared to a strong base.

Australia:
Collections rose by +2.4% in April and by +3.4% in May.

Argentina:
Collections have been weak and fell again in May (-10.8%).

China:
Output returned to growth in April and May, but the rate of growth slowed.



JUN-JUL TRENDS

GLOBAL	→
EU-27	↑
US	↓
New Zealand	↓
Australia	↑
Argentina	↓
China	↑

Note: *denotes estimate

European Milk Supply

Jan-May 2024

EU-27:
Supply was flat in quarter one but improved in recent months (May +0.9%).

Germany:
Collections were flat in March and April but lifted in May (+0.4%).

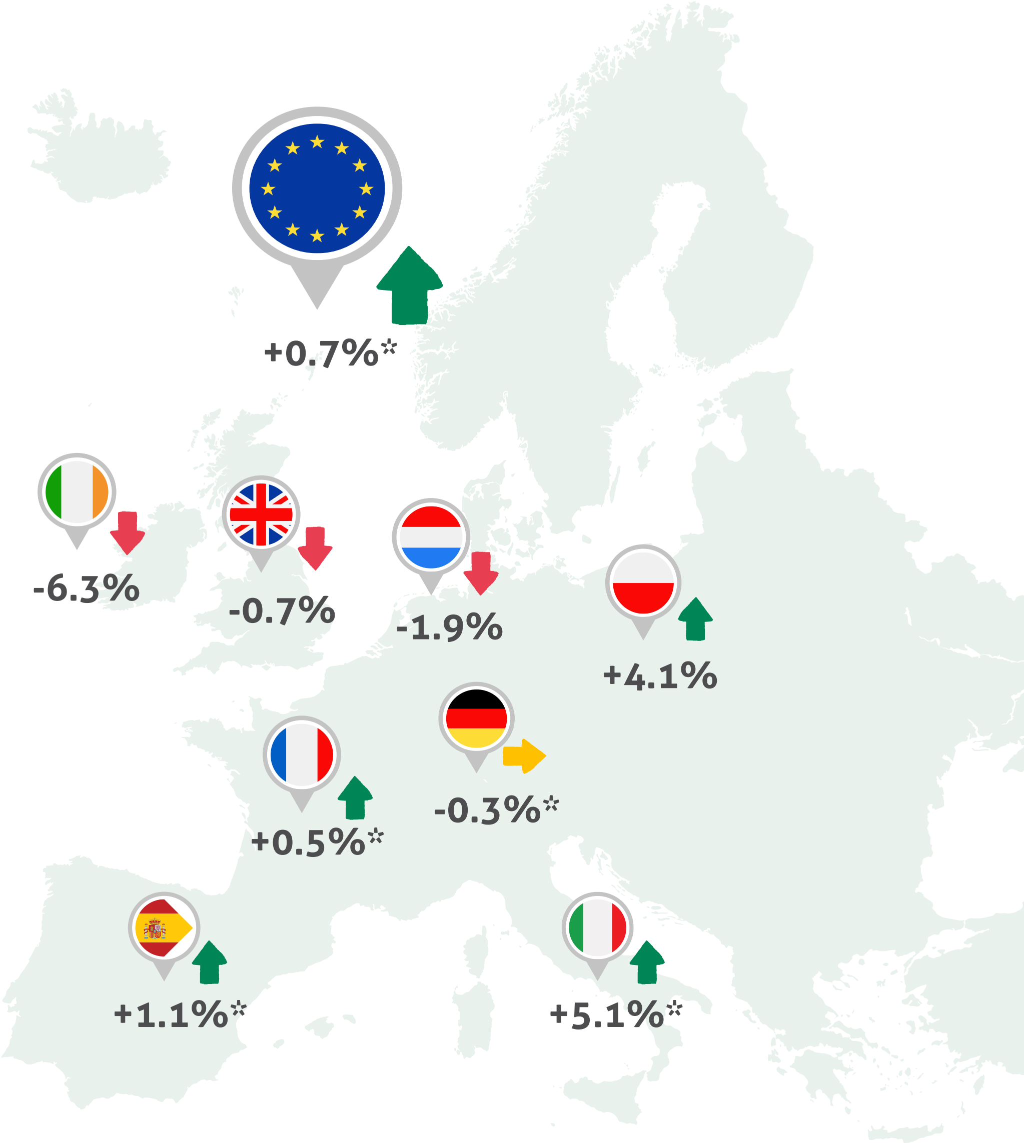
France:
Flows were better than expected in April and lifted marginally in May (+0.5%).

Netherlands:
Production has been falling, though output was solid this time last year.

Poland:
Flows were strong in quarter one and grew by an impressive +4.5% in May.

Ireland:
Collections fell by -7.7% in April and by a further -2.3% in May.

UK:
Production contracted in April and May (-0.8%) but has demonstrated signs of stability recently.



JUN-JUL TRENDS

EU-27	↑
Germany	→
France	↑
Netherlands	↓
Poland	↑
Ireland	↓
UK	↓

Note: *denotes estimate

Milk:
Overview & Outlook

EU-27

Supply was flat in quarter one but improved in April and May.

Dutch and Irish flows are weak, but this is being offset by growth in Poland, Italy, Spain and Belgium.

Annual growth of +1.0% is possible, but this is compared to a flat base.

US

Milk volumes fell in May for the eleventh consecutive month driven by lower cow numbers and yield.

However, milk supply is up +1.2% year-to-date once adjusted for fat and protein.

Oceania

New Zealand flows declined in May and should fall again in June.

However, Australian flows are up with annual Oceania output likely to match prior year levels.

China

Milk supply rose sharply in recent years, but milk prices have fallen, and the rate of supply growth appears to be easing.

Outlook

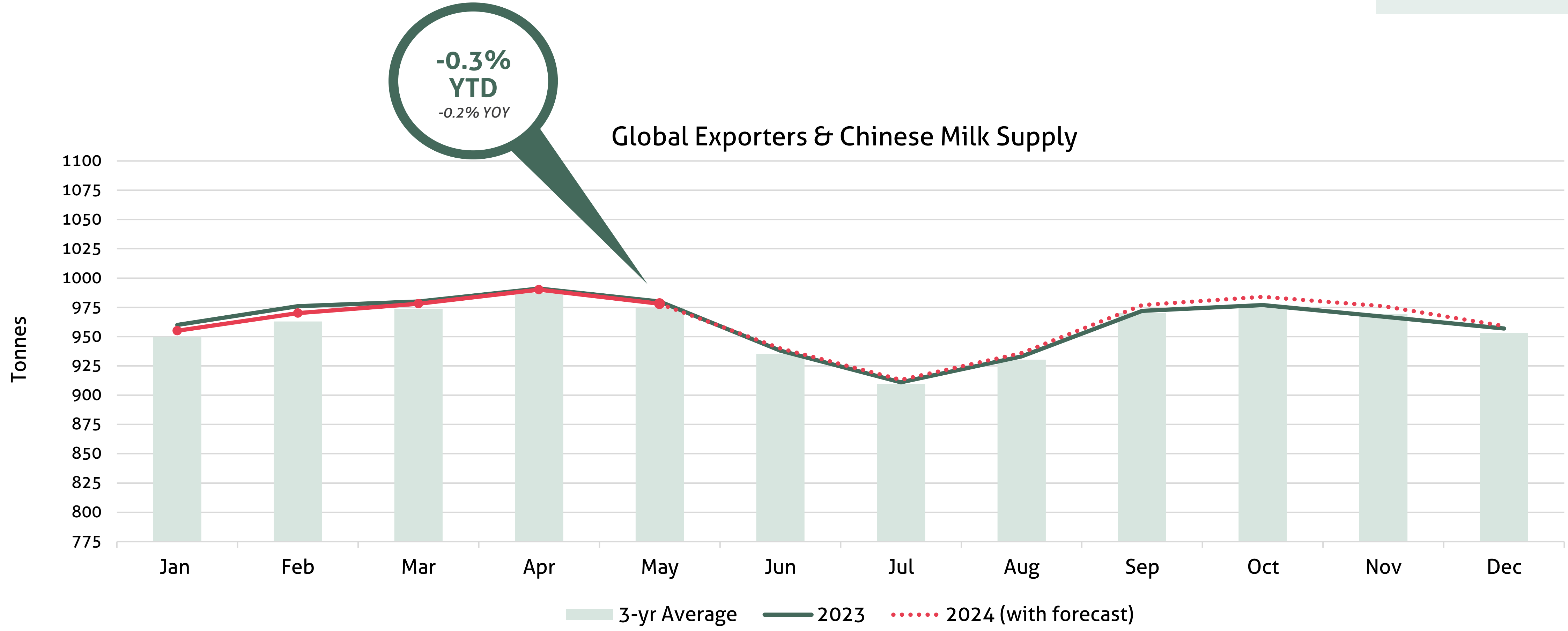
After falling marginally in H1, global supply should improve.

However, annual output is likely to be flat.

Global Milk Supply & Outlook

GLOBAL MILK TRENDS

H1	→
H2	↑
FULL YEAR	→

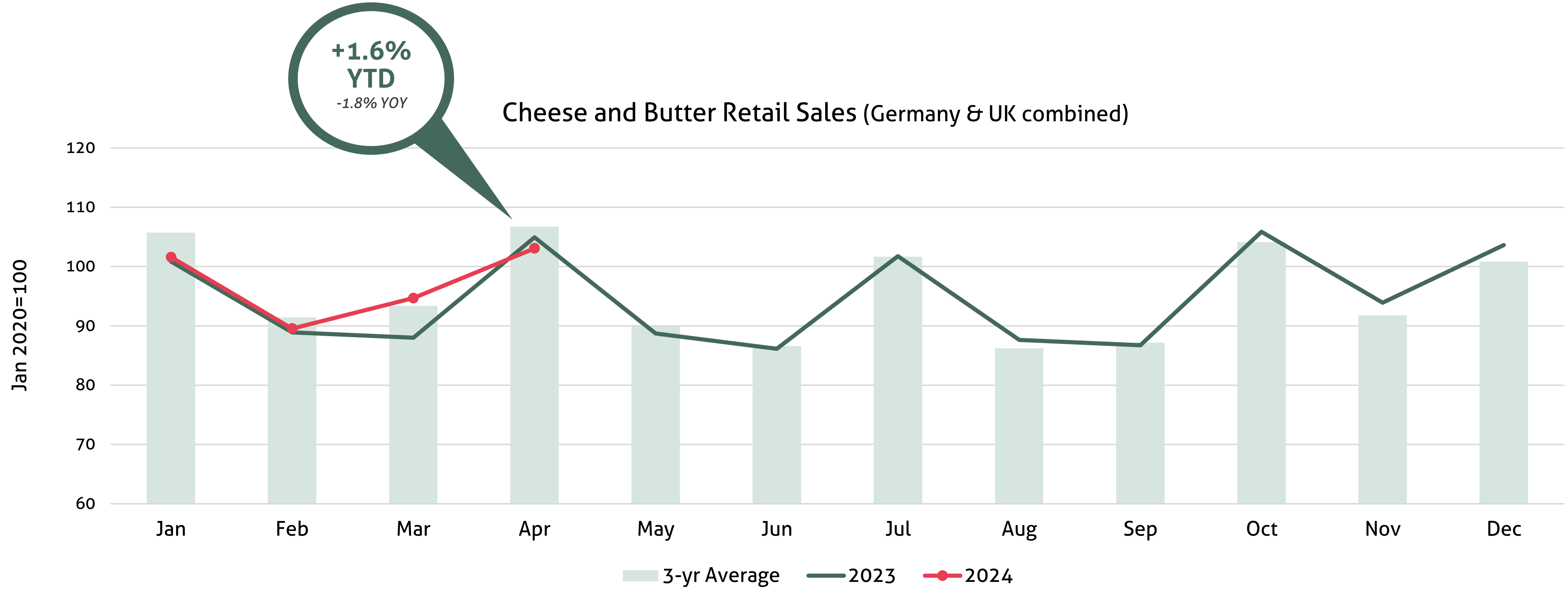


Source: Ornua estimate.

Global Demand

European Retail Dairy Sales Trends

SALES BY PRODUCT	YTD	VS 3-YR	YOY
CHEESE	↑	↓	↑
BUTTER	↓	↓	↓



Source: Ornua estimate using multiple sources.

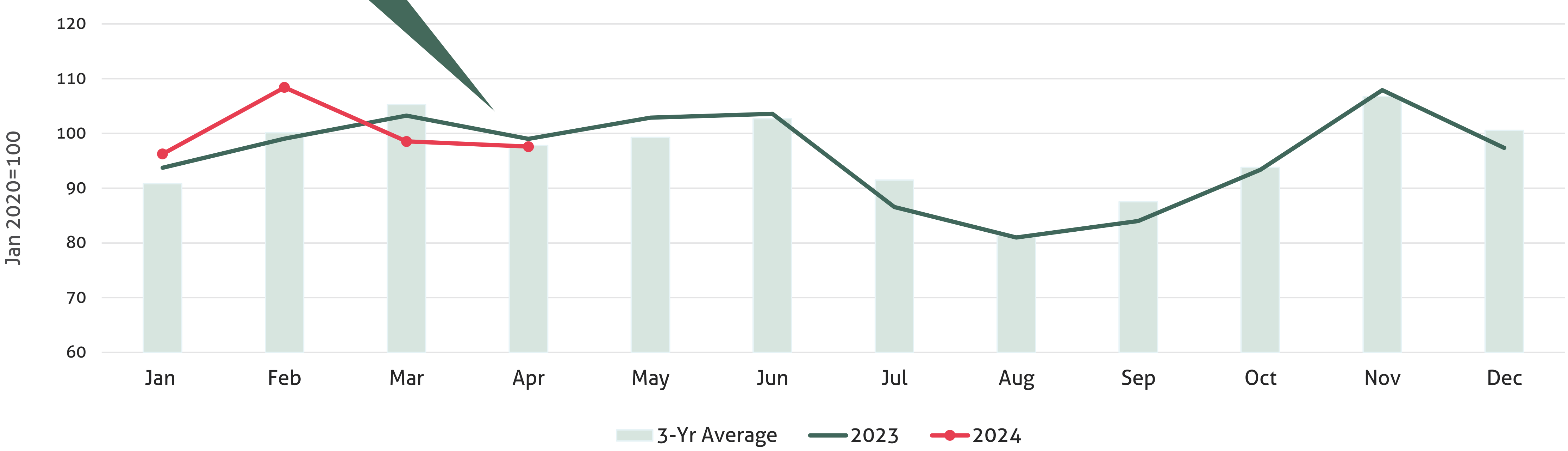
Global Dairy Export Trends

EXPORTS BY PRODUCT	YTD	VS 3-YR	YOY
CHEESE	↑	↑	↑
BUTTER	↓	↓	↓
SMP	↓	↑	↓

+1.5% YTD

-1.4% YOY

Global Dairy Exports (Major products in milk equivalent)



Source: Ornua estimate using multiple sources.

Global Dairy Imports by Region

US:
Imports are being supported by strong demand for cheese and casein.

South-Central America:
Dairy imports were flat in quarter one but improved in recent months.

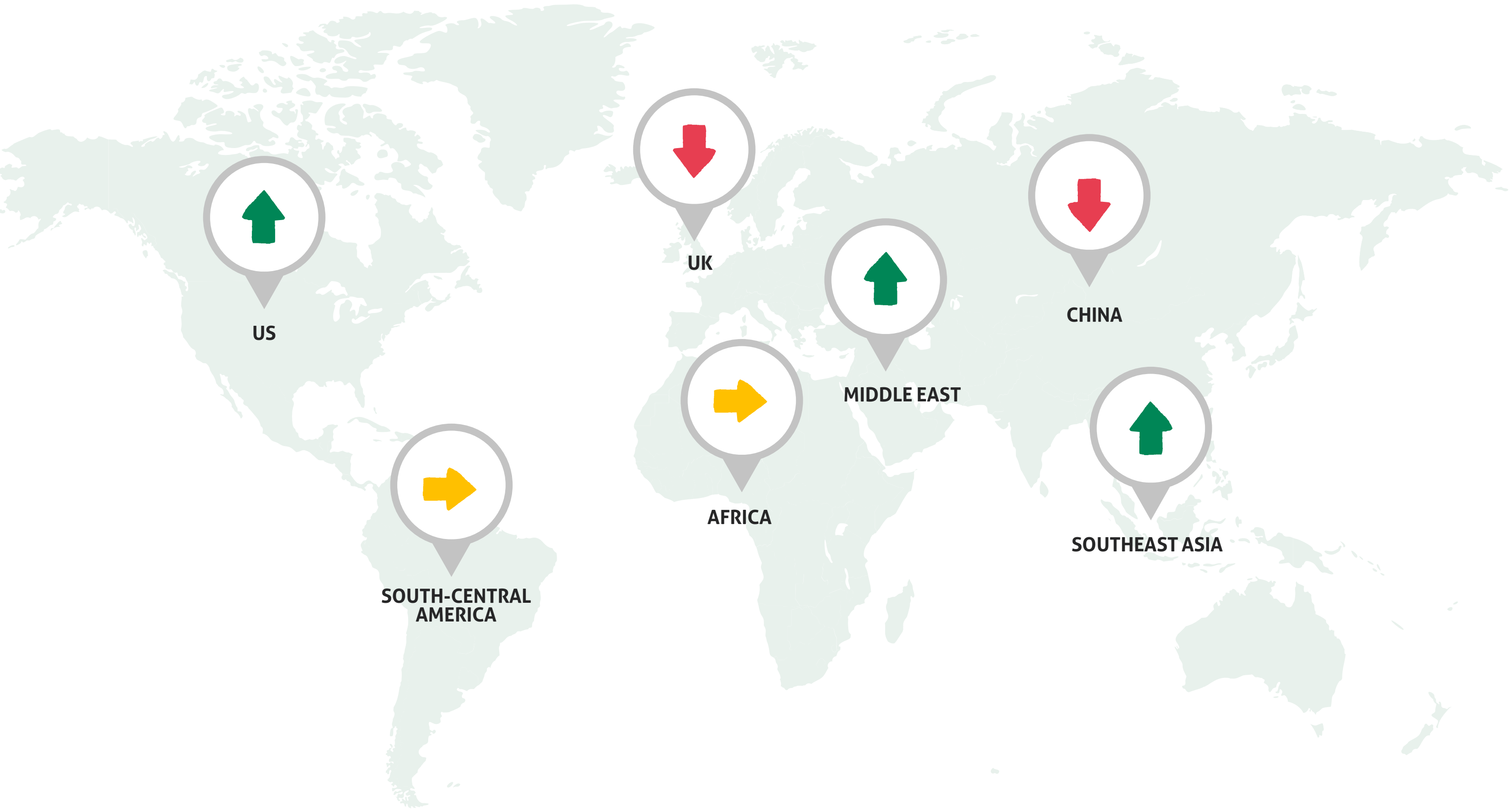
UK:
Imports are down, though this is being heavily influenced by liquid milk and cream.

Africa:
Imports are solid historically, but after a strong quarter one the growth rate eased.

Middle East:
Imports were strong last year, and this trend continued into 2024; though activity eased at the last GDT.

China:
Powder shipments are below peak levels, though cheese and butter volumes are performing better.

Southeast Asia:
Imports improved and are tracking historic norms. Though like the Middle East, interest eased at the recent GDT.



Product Section

Cheese: Overview & Outlook

EU-27

Production has been strong so far this year.

Foodservice demand is muted, but retail sales and exports are growing.

After a busy period, interest eased as the holiday season approaches.

Though cheddar pricing is stable compared to last month.

UK

Approximately 1,000mt of New Zealand cheese is being imported per month.

However, modest output and solid demand suggests availability is tight, and returns are matching other regions.

US

Domestic demand is flat, but exports to Mexico and Asia are helping to keep stocks in check.

Pricing is down from mid-June levels but remains at a high level.

New Zealand

Exports eased with weaker Asian demand impacting.

GDT pricing dropped, though the market typically drops as the new milk season approaches.

Outlook

Strong output, and competition among exporters may impact.

However, European pricing should remain stable through July and August.

Cheese: Statistics

	EU-27 Jan-Apr	US Jan-May	NZ Jan-May	UK Jan-Apr
Output	+126,970 **+4.0%**	+14,810 **+0.6%**		-1,805 **-1.1%**
Imports	+5,920 **+11%**	+10,485 **+14%**		-3,936 **-3%**
Exports	+7,440 **+2%**	+49,960 **+28%**	-15,561 **-9%**	+12,757 **+23%**
Price (Local currency)	**€4,367** EEX-Jul 3rd	**$4,190** CME-July 3rd $1.90lb	**$3,980** GDT-Jul 2nd	
Price (€ equivalent)	**€4,367**	**€3,880**	**€3,685**	

Butter: Overview & Outlook

EU-27

Supply is weaker year-to-date but improved in April and is solid historically.

Retail sales are sluggish, though butter and cream exports are better.

Interest and pricing eased since last month.

However, high cream prices, reports of limited buyer coverage and weaker Irish supply is supporting the market.

UK

Approximately 350mt of New Zealand butter is being imported per month.

While on the rise, volumes are below quota with modest supply and solid retail sales boosting sentiment and returns.

US

Despite reports of sluggish demand, recent stock figures were lower than expected.

Consequently, butter pricing is stable at a high level.

New Zealand

With GDT pricing well above global levels, it was expected the market would correct.

Though the rate of the recent decline was more than anticipated.

Outlook

Buyer activity is likely to ease in July and August.

However, supply concerns will lend support and activity usually lifts in September as buyers secure product for quarter four.

Butter: Statistics

	EU-27 Jan-Apr	US Jan-May	NZ Jan-May	NZ AMF Jan-May
Output	-19,780 **-2.7%**	+21,240 **+4.7%**		
Imports	-10,855 **-74%**	+3,085 **+15%**		
Exports	-2,795 **-3%**	-2,720 **-19%**	-9,590 **-8%**	-2,120 **-3%**
Price (Local currency)	**€6,637** EEX-Jul 3rd	**$6,890** CME-Jul 3rd $3.13/lb	**$6,546** GDT-Jul 2nd	**$6,517** GDT-Jul 2nd
Price (€ equivalent)	**€6,637**	**€6,375**	**€6,060**	**€6,030**

SMP: Overview & Outlook

EU-27

Production is weaker year-to-date and fell again in April.

This affected availability for export and New Zealand has been growing market share.

An Algerian (ONIL) tender provided support, though Belarus supplied most of the product and activity has been subdued.

Pricing is flat to weaker compared to last month.

US

Domestic and export demand is down, but output is also down which is keeping stocks in check.

Interest usually eases around this time with pricing, like Europe, flat to weaker.

New Zealand

GDT pricing fell and converged with global levels.

The market usually weakens as the new milk season approaches, but the diversion of milk from WMP has been a factor.

China

Imports fell again in May and annual imports are likely to drop below prior year levels.

Demand from other Asian regions is stable but needs to expand to offset the Chinese shortfall.

Outlook

Weaker Asian demand remains a concern.

However, muted EU and US supply should provide stability assuming activity returns in September.

SMP: Statistics

	EU-27 Jan-Apr	US Jan-May	NZ Jan-May
Output	-20,870 **-4.1%**	-85,530 **-15.7%**	
Imports	+2,160 **+23%**		
Exports	-13,970 **-5%**	-40,735 **-11%**	-6,140 **-3%**
Price (Local currency)	**€2,397** EEX-Jul 3rd	**$2,600** CME-Jul 3rd $1.18/lb	**$2,586** GDT-Jul 2nd
Price (€ equivalent)	**€2,397**	**€2,405**	**€2,395**

WMP: Overview & Outlook

EU-27

Production fell sharply in March and April.

Combined with high pricing, this curtailed exports, though domestic demand appears solid.

Algerian buyers (ONIL) were active in June, but the tender was filled mainly by New Zealand origin.

Interest eased recently, but buyers are active, and pricing is stable.

New Zealand

Exports are higher year-on-year but below historic norms.

GDT pricing firmed in April and May aided by low offer volumes.

Though as noted last month, the market typically weakens as the new milk season approaches, and pricing fell at recent auctions.

China

Imports are weaker year-to-date and are down 50% versus 2022.

There are several contributory factors including weaker economic demand and higher domestic supply.

South America

Despite weaker flows, combined exports from Argentina and Uruguay are stable.

Most of this product is shipped to Brazil or Algeria.

Outlook

European pricing will continue to command a premium.

Though the recent weakness in GDT could dampen sentiment in Europe.

WMP: Statistics

	EU-27 Jan-Apr	NZ Jan-May
Output	-11,530 **-5.8%**	
Imports	+505 **+9%**	
Exports	-3,090 **-4%**	+61,310 **+10%**
Price (Local currency)	**€3,760** Dutch-Jul 3rd	**$3,218** GDT-Jul 2nd
Price (€ equivalent)	**€3,760**	**€2,980**

Casein: Overview & Outlook

EU-27

While supply will lift seasonally, output has been below prior year levels.

Strong export demand has kept stocks in check with shipments to all major markets up this year.

Buyers are wary of the impact of high pricing on demand but are active covering H2 requirements.

Americas

EU-27 and New Zealand export data indicates that US and Mexican imports are solid.

Sluggish foodservice demand remains a concern, but high US natural cheese prices is supporting casein demand.

New Zealand

Exports are solid historically driven by demand from US and Asian buyers.

Availability should improve as the new milk season ramps up.

Outlook

While protein markets appear sluggish, casein pricing should stabilise through July and August.

Buyers are active at current price levels.

Casein: Statistics

	EU-27 Jan-Apr	US Jan-May	NZ Jan-May
Output	-2,630 **-10.0%** Jan-Feb		
Imports	-450 **-12%**	+5,280* **+66%**	
Exports	+4,350 **+33%**		+4,855 **+27%**
Price (Local currency)	**€6,950 (R)** Vesper-Jul 3rd		
Price (€ equivalent)	**€7,250 (A)** Vesper-Jul 3rd		

* Based on EU-27 and NZ exports for Jan-Apr as US reporting appears incorrect.

Market Outlook

- Global milk flows will turn positive in the second half of the year, but supply should end the year flat.
- Weaker Dutch and Irish milk supply are being offset by improving German and French flows and strong growth in Poland and Italy. Annual growth of +1.0% in Europe is now possible.
- Buyer activity in Europe eased and GDT pricing dropped at the last auction. Consequently, market sentiment weakened.
- The demand situation continue to lack direction. Retail cheese sales are strong, but foodservice and export demand appears flat.
- However, European and Oceania markets typically ease through July and August and pricing remains at a high level historically.
- Buyer activity should rebound once the holiday season concludes, though if pricing is to firm demonstrably, demand will need to improve.

SUMMARY

European pricing has been relatively stable since last month, though butter and SMP pricing fell slightly.

Sentiment is weaker, but buyer activity typically eases at this time and should improve from September. However, there is still some demand uncertainty.

Ornua at a glance

- Great tasting grass-fed Irish dairy products
- Agri-food co-operative
- Ireland's largest exporter of primary dairy products
- Bringing the unique taste of Irish dairy to the world
- 2,900 strong global team
- Exports to over 110 countries worldwide

Our Product Portfolio

Ornua Trading & Ingredients Ireland is responsible for the procurement of products from Irish dairy processors and third-party suppliers, and the sale of dairy ingredients to global food manufacturers.

OTII manages market volatility for our customers through;

- Managing risk with predictive models and hedging tools
- Investment in trading expertise
- Differentiated value-added ingredients
- Fixed milk price contracts
- Diversifying markets

Click on the images on the right to learn more about our cheese, butter, milk powders or casein products.

Cheese

Cagliata

Cheddar with Red Chilli

Coloured Cheddar Cheese

Hard Grating Cheese

Irish Emmental Cheese

Mallo

Monterey Jack

Mozzarella

Red Leicester Cheese

Regato Cheese

White Cheddar Cheese

Butter

Salted sweet cream butter

Unsalted sweet cream butter

Lactic butter

Whey butter

Milk Powders

Full Cream Milk Powder

Skim Milk Powder

Buttermilk Powder

Fat Filled Milk Powder

Whey Powder

Skimmed Milk Yogurt Powder

Whey Permeate

Casein/Caseinates

Acid Casein

Rennet Casein

Sodium Caseinate

Calcium Caseinate

Irish Dairy

Irish cows graze outdoors on grass for an average of

240 days

Grass-fed cows milk is rich in natural

beta-carotene

Ireland has an average herd size of

90 cows

On average, an Irish dairy cow produces

5,700 litres

of milk a year

81% of agricultural land in Ireland is used to grow grass

Ireland is the most carbon efficient milk producer in the EU

Average dairy farm size is

60ha

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