USDEC International Demand Analysis

Data Thru September 2022
A Note from the Authors

- **What is this?** This is *USDEC’s International Demand Analysis* from our Economics Team, published monthly. This report outlines the latest global dairy trade trends and data combined with our own commentary analyzing demand in the key markets for cheese, NFDM/SMP, whey (0404.10) and WPC80+, alongside shorter summaries for lactose, butterfat and WMP – all with a forward-looking lens and US exporter viewpoint.

- All comparisons are year-over-year unless otherwise noted.

- **If you have any questions, comments or suggestions on how to improve the report, send us an email at wloux@usdec.org or scain@usdec.org.**
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Global Dairy Demand Market Commentary

**OVERVIEW**

- **Global dairy trade ticked up for the second month in a row in September,** climbing 3.6% year-over-year on a milk solids equivalent basis (MSE), a gain of 24,962 MT MSE.

- **Mirroring August’s data, the U.S. and New Zealand led the way** even as **European exports continued to contract.** New Zealand led the way with a 29% increase in exports (+39,128 MT MSE) as inventories were cleared ahead of the new production season.

- **U.S. exports kept climbing,** up 7% with gains to Mexico (+17%, +7,079 MT MSE - primarily from NFDM and cheese) and China (+23%, +7,887 MT MSE – primarily whey and lactose). **On the other hand, Europe dropped 7%** (20,608 MT MSE) as exportable supplies remained limited.

- **Broken down by destination, Latin America performed exceptionally well.** Global trade to Mexico climbed 15% (+7,409 MT MSE), South America jumped 42% (+12,018 MT MSE) and Central America + Caribbean excelled again (+84%, +13,420 MT MSE). **MENA was another strong performer** in September (+11%, +10,413 MT MSE), thanks to strength from the GCC countries even as Egyptian demand falls.

- **Instead, the weakness came from Asian markets** where trade to China and Southeast Asia dropped by 4% (-6,192 MT MSE) and 6% (-8,487 MT MSE), respectively.

**KEY TAKEAWAYS**

- **Our opinion remains that the dramatic growth in exports out of New Zealand in August and September reflects an inventory clearing ahead of the new production season.** While growth is certainly better than further declines, the NZ gains cancelling out European weakness makes our economics team skeptical the two consecutive months of growth in global trade reflects a fundamental change in market conditions.

- **Part of the reason for our skepticism remains that China’s purchases remain subdued.** While low-protein whey and lactose imports have picked up – which benefits the U.S. – fluid milk and milk powders have struggled. Fluid milk dropped 20% (-22,301 MT), WMP fell 38% (-15,099 MT) and SMP declined by 24% (-6,799 MT), which suggest the COVID-19 lockdowns continue to have an impact on demand.

- **Average global dairy prices did ease slightly to $6.04/kgMS,** but the drop was relatively minor compared to $6.18/kgMS in August, which set the all-time record.
Global Dairy Demand Market Commentary

COMPETITOR ASSESSMENT

• New Zealand’s exports grew across the board in geography and product mix. NZ’s flagship product, WMP, gained the most 27% (+16,851 MT), but fluid milk/cream (+35%, +12,746 MT), butterfat (+74%, +13,315 MT) and cheese (+59%, +10,199 MT) all shone. Notably, China was the only major market to see a year-over-year decline in shipments from New Zealand (-1.4%), but gains to SEA and MENA more than made up for the small decline.

• The EU27+UK’s September exports mirrored much of their overall trajectory in 2022. Trade to China, Southeast Asia and Sub-Saharan Africa all fell sharply, -10% (-4,783 MT MSE), -25% (-12,463 MT MSE), and -40% (-11,340 MT MSE). Year-to-date those three markets were the worst performing markets for the EU27+UK, falling by 28%, 16%, and 19%, respectively. On the flip side, the EU27+UK has prioritized the Middle East-North Africa, increasing volumes to the market by 19% (+10,811 MT MSE), bringing year-to-date shipments to MENA to nearly flat (-0%, -1,896 MT MSE).

• Similarly, Europe’s product portfolio showed declines across most of the complex with cheese’s decline (-3% in September and YTD) less severe than other products. The only surprise was a 2% gain in SMP exports (+1,130 MT). However, given that YTD SMP exports for the EU27+UK are down 14% (-112,268 MT), one month of not-very-strong growth is not particularly notable.

LOOKING AHEAD

• While we are skeptical that August and September reflect a sea change in market conditions, we are seeing data points suggesting international trade will improve next year. Both U.S. and European milk production are growing again – albeit over weak comparisons. At the same time, prices – while still high – have eased slightly from their peaks, which may encourage additional purchases from price sensitive importers.

• Unfortunately, with the latest news out of China, COVID-19 lockdowns in the country are likely to continue. The data suggests that China’s zero-COVID policy is having a real effect on the country’s economy and on dairy consumption, which will limit the world’s largest dairy importer’s growth potential in the immediate future. Even still, global dairy trade to China does appear to have stabilized, which is an improvement over this year’s consistent declines.
Global Dairy Trade

Global Total Milk Solids Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Month of September 2022, Milk Solids Equiv.

Note: Size of bubble denotes total imports.
Source: USDEC, Trade Data Monitor
Average Global Export Price

Source: USDEC, Trade Data Monitor
Cheese
Cheese Market Commentary

OVERVIEW

• Cheese has proven to be one of strongest performing products in the dairy complex in 2022 with **global cheese trade growing by 5% (+7,380 MT)** in September.

• **The U.S.’ strong performance in the category continued in September**, up 5% (+1,719 MT). But, as will be a theme in this month’s report, **New Zealand’s performance was uniquely impressive (+59%, +10,199 MT)**. However, we must note, that even with dramatic increases in September, the month’s performance is still not enough to make up for NZ’s poor cheese export performance earlier in the year, leading to year-to-date volumes down 5% (-11,930 MT).

• While August showed widespread improvement across multiple markets, **September’s growth was concentrated in a few select markets**. Cheese trade to Japan increased by 18% (+3,632 MT), Korea by 28% (+3,071 MT), MENA by 12% (+2,271 MT) and Southeast Asia by 17% (+1,617 MT). But U.S. and European imports declined, while Australia, China, South America and Central America + Caribbean were all close to flat year-over-year.

KEY TAKEAWAYS

• **Improved supply availability is likely playing a role in boosting global cheese trade.** Weak whole milk powder prices incentivized New Zealand processors to push more milk into cheese production during the shoulder season when there is extra capacity available. While greater availability from New Zealand is likely temporary as inventory was cleared and milk production in the country continues to be poor in the 2022/23 season, improved milk supplies from the U.S. and Europe should enable September’s growth to be sustained.

• After a relatively subdued first half, **Korean demand has rebounded, climbing 24% in Q3 (+7,946 MT)**. Using more detailed import data to get a variety breakdown, we see that the recent growth hasn’t come from mozzarella, Korea’s primary cheese import type. Rather, it’s come from gouda/cheddar-type cheeses and cream cheese, which have been in high demand for processed cheese use with increased demand at foodservice and retail.
Cheese Market Commentary

COMPETITOR ASSESSMENT

• EU27+UK cheese exports continue to lag behind prior year levels (-3%, -2,774 MT) due to weak supply and (until recently) strong retail demand at home. In the limited supply environment, Europe focused on key markets, like Japan and Korea (+27%, +3,386 MT, collectively).

• Surprisingly, EU cheese exports to the U.S. – its highest value market on a per unit basis, declined by 6% (-796 MT). The reason the drop is surprising is that we have also seen an increased focus from the EU27+UK on specialty cheese production and exports at the expense of bulk products, like gouda, cheddar or mozzarella, in this tight supply environment.

• New Zealand, which had more supplies available in September, was able to target several of its key customers – China (+79%, +3,080 MT), Japan (+117%, +2,741 MT), Korea (+398%, +1,394 MT), and Southeast Asia were the most notable (+71%, +2,129 MT).

LOOKING AHEAD

• With two strong months in a row, global cheese trade has returned to flat compared to 2021’s breakneck pace, trailing by just 0.1% (-1,536 MT).

• With U.S. and European milk supplies improving and China’s imports stabilizing, we are optimistic that cheese will finish the year positive and grow in 2023.

• Slower growth is likely from Latin America as trade reverts to the mean and analogue cheese becomes more price competitive with the fall in palm oil prices, but the recent growth in Japan, Korea, and the Middle East appears sustainable in the near term.
Global Overview: Cheese

Global Cheese Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Global Overview: Cheese

Monthly Global Exports of Cheese to World (30-Day Months)

Source: USDEC, Trade Data Monitor
Global Overview: Cheese – Last 12 Months

Global Cheese Trade: L12M, Ranked by Largest Market

Source: USDEC, Trade Data Monitor
Trade Flows: Cheese

Last 3 Months: YOY Change in EU27+UK Cheese Exports

- World: 4.7%
  - MENA: 11.7%
  - Japan & Korea: 2.9%
  - Europe: -9.0%
  - USA: -4.6%
  - Eurelia: -27.7%
  - China: -32.4%
  - Ase-NZ: -1.8%
  - SEA: -5.3%
  - CentAm-Caribb: 6.6%
  - ROW: -13.8%

Last 3 Months: YOY Change in New Zealand Cheese Exports

- World: 18.3%
  - Japan & Korea: 34.0%
  - China: 39.6%
  - SEA: 32.6%
  - Ase-NZ: 7.1%
  - MENA: 11.5%
  - CentAm-Caribb: 10.9%
  - Other: -15.6%
  - S America: -6.0%
  - Mexico: -10.5%
  - ROW: -57.9%

Source: USDEC, Trade Data Monitor
Trade Flows: Cheese

Cheese Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Mexico

Cheese Market Share in Mexico (Rolling 12 Months)

Monthly Global Exports of Cheese to Mexico (30-Day Months)

Global Cheese Exports to Mexico (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Korea

Cheese Market Share in South Korea (Rolling 12 Months)

Monthly Global Exports of Cheese to South Korea (30-Day Months)

World Cheese Exports to South Korea

Source: USDEC, Trade Data Monitor
Japan

Cheese Market Share in Japan (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Australia

Cheese Market Share in Australia (Rolling 12 Months)

Source: USDEC, Trade Data Monitor

Monthly Global Exports of Cheese to Australia (30-Day Months)

World Cheese Exports to Australia

Source: USDEC, Trade Data Monitor
MENA

Cheese Market Share in MENA (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Southeast Asia

Cheese Market Share in SEA (Rolling 12 Months)

Monthly Global Exports of Cheese to SEA (30-Day Months)

Global Cheese Exports to SEA (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
China

Cheese Market Share in China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
NFDM/SMP Market Commentary

OVERVIEW

• Global NFDM/SMP trade continued its slide, falling 1% in September (-1,927 MT). However, a 1% decline is relatively positive considering year-to-date trade is down 7% (-121,349 MT).

• Supply remains the primary constraint to growing trade with less production compared to 2021 in both the U.S. and Europe. However, subdued trade cannot be solely attributed to supply. Recent price weakness in SMP around the world highlights demand is not in abundance either.

• Declines in shipments to Southeast Asia (-21%, -11,842 MT) and China (-24%, -6,799 MT) were particularly notable even as MENA (+33%, +8,434 MT), Mexico (+23%, +6,228 MT) and South America (+62%, +3,185 MT) impressed.

KEY TAKEAWAYS

• SMP demand from China remains weak for the key reasons we mentioned in previous reports – heavy inventories built up in 2021 combined with weaker than expected consumer demand caused by strict COVID-19 lockdowns. Until China returns to the market, it is hard to envision SMP trade (or prices) climbing significantly.

• Southeast Asia’s drop in September is notable, because it continues the trend of lower exports to the market with three out of the past four months posting declines of more than 10,000 MT year-over-year. High prices burning off some demand are likely part of the reason as average SMP export values to the region surpassed $4,000/MT in June (which is substantially higher than the 2021 average of just over $3,000/MT). Additionally, Malaysia has been the primary market to reduce purchases in SEA. Declines in Malaysian demand, a major blending and re-export hub, suggest that broader demand for consumer products utilizing SMP may be suffering in this economic environment.
NFDM/SMP Market Commentary

**COMPETITOR ASSESSMENT**

- New Zealand’s NFDM/SMP export performance was split again in September even as total volumes gained 2% (+390 MT). Trade to China fell 24% (-2,172 MT), mirroring year-to-date performance with SMP volumes to China down 26% (-21,953 MT). On the flip side, exports to SEA climbed 16% (+1,320 MT) and MENA gained 162% (+377 MT). YTD, NZ SMP exports to SEA and MENA are up 27% (+26,688 MT) and 105% (+10,078 MT), respectively.

- With Chinese buying subdued, New Zealand diverted SMP to customers in Southeast Asia (taking share from Europe, primarily) and MENA (taking share from the U.S.).

- The EU27+UK pulled back in most major markets, except the Middle East-North Africa. Exports to Southeast Asia fell by more than a third (-35%, -6,545 MT) as did China (-34%, -2,794 MT). Surprisingly, even with the declines to SEA and China, total trade from the bloc climbed 2% (+1,130 MT) thanks to a 54% increase to MENA (+10,786 MT).

**LOOKING AHEAD**

- Several factors are suggestive of a return to growth for global SMP trade in 2023:
  - U.S. and European milk production is improving, which should increase exportable supplies from the two biggest exporters.
  - Global SMP prices are easing, which may encourage buyers who have been sitting on the sidelines or buying hand-to-mouth to increase purchases.
  - Latin American demand has proven robust in spite of economic pressures

- And yet, we are skeptical growth will be substantial:
  - Milk production, while improving, may not mean significantly more milk powder: input costs remain high; U.S. base-excess programs may disincentivize maxing balancing capacity; and high energy prices will discourage drying in Europe.
  - But just as important, China remains a major wildcard until current COVID policies are eased. Plus, global consumer demand is likely to remain challenged by the economic environment.
Global Overview: NFDM/SMP

Global SMP/NFDM Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Global Overview: NFDM/SMP

Monthly Global Exports of SMP/NFDM to World (30-Day Months)

Source: USDEC, Trade Data Monitor
Global Overview: NFDM/SMP – Last 12 Months

Source: USDEC, Trade Data Monitor
Trade Flows: NFDM/SMP

Last 3 Months: YOY Change in EU27+UK SMP/NFDM Exports

Last 3 Months: YOY Change in New Zealand SMP/NFDM Exports

Source: USDEC, Trade Data Monitor
Trade Flows: NFDM/SMP

SMP/NFDM Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Mexico

SMP/NFDM Market Share in Mexico (Rolling 12 Months)

Monthly Global Exports of SMP/NFDM to Mexico (30-Day Months)

Global SMP/NFDM Exports to Mexico (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Southeast Asia

SMP/NFDM Market Share in SEA (Rolling 12 Months)

Monthly Global Exports of SMP/NFDM to SEA (30-Day Months)

Source: USDEC, Trade Data Monitor
Southeast Asia: Country Breakdown

Monthly Global Exports of SMP/NFDM to Indonesia (30-Day Months)

Monthly Global Exports of SMP/NFDM to Malaysia (30-Day Months)

Monthly Global Exports of SMP/NFDM to Philippines (30-Day Months)

Monthly Global Exports of SMP/NFDM to Vietnam (30-Day Months)

Source: USDEC, Trade Data Monitor
China

SMP/NFDM Market Share in China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
MENA

SMP/NFDM Market Share in MENA (Rolling 12 Months)

Monthly Global Exports of SMP/NFDM to MENA (30-Day Months)

Global SMP/NFDM Exports to MENA (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Whey Products (0404.10)
Whey (0404.10) Market Commentary

OVERVIEW

• Whey products traded under the HS code 0404.10 (largely low protein whey varieties of sweet whey and permeate), continued to pick up steam in September, climbing 4% (+4,779 MT).

• The recovery in China’s demand has been the biggest driver behind the export growth (+28%, +10,856 MT) with most of the incremental gains supplied by the United States, which increased sales to China by 47%.

• Bills of lading data shows much of the incremental growth in U.S. whey exports to China has been permeate, likely purchased as a cheaper alternative to sweet whey after prices for sweet whey spiked earlier this year.

KEY TAKEAWAYS

• In contrast to many other products in China, low protein whey demand has rebounded. While still nowhere near the heights achieved in 2021, whey trade to China has increased three months in a row and much closer to the long-term trendline than other products.

• While China soared, trade to Southeast Asia took a step back, falling 21% (-7,306 MT). Seemingly, both markets cannot grow in tandem. While China was absent, Southeast Asia accelerated purchases. Now, with China returning, trade has reverted towards the long-term trend.
Whey (0404.10) Market Commentary

COMPETITOR ASSESSMENT

• The U.S. was the only major supplier of low-protein whey to increase its exports in September, increasing volumes by 21% (+9,311 MT).

• Low protein whey exports from the EU27+UK, on the other hand, dropped by 4% (-2,256 MT). The decline was primarily a result of decreased European shipments to Southeast Asia (-25%, -5,626 MT), and – to a lesser extent Sub-Saharan Africa (-40%, -1,406 MT). Positively, European shipments to China did tick up by 17% (+2,621 MT) and trade to MENA grew by 35% (+1,139 MT).

• Two of the smaller exporters, Argentina and Canada, also saw notable declines – 22% (-1,282 MT) and 30% (-1,704 MT), respectively. Argentinian exports to China dropped precipitously (-53%, -953 MT) as the U.S. and Europe gained market share, while Canada pulled back from the U.S. (-20%, -726 MT) and Southeast Asia (-70%, -642 MT).

LOOKING AHEAD

• The recovery of China’s whey purchases remain closely tied to the success or struggles of their pork operations, which have seen improved margins of late, thereby incentivizing whey permeate (if not always sweet whey) utilization. Provided there are not further disruptions to pork markets ahead, China’s low protein whey demand growth should continue into 2023 but at a slower and steadier rate than the last several years.

• Whey trade in general will also be supported by increasing cheese production in the U.S. and Europe as milk production increases and cheese plants offer a strong return.
Global Overview: Whey (0404.10)

Global Whey (0404.10) Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Global Overview: Whey (0404.10)

Monthly Global Exports of Whey (0404.10) to World (30-Day Months)

Source: USDEC, Trade Data Monitor
Global Overview: Whey (0404.10) – Last 12 Months

Source: USDEC, Trade Data Monitor
Trade Flows: Whey (0404.10)

Last 3 Months: YoY Change in EU27+UK Whey (0404.10) Exports

Last 3 Months: YoY Change in New Zealand Whey (0404.10) Exports

Source: USDEC, Trade Data Monitor
Trade Flows: Whey Products

Whey (0404.10) Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Source: USDEC, Trade Data Monitor
Southeast Asia

Whey (0404.10) Market Share in SEA (Rolling 12 Months)

Source: USDEC, Trade Data Monitor

Monthly Global Exports of Whey (0404.10) to SEA (30-Day Months)

Global Whey (0404.10) Exports to SEA (Rolling 12 Months)
Southeast Asia: Country Breakdown

Monthly Global Exports of Whey (0404.10) to Indonesia (30-Day Months)

Monthly Global Exports of Whey (0404.10) to Thailand (30-Day Months)

Monthly Global Exports of Whey (0404.10) to Philippines (30-Day Months)

Monthly Global Exports of Whey (0404.10) to Vietnam (30-Day Months)

Source: USDEC, Trade Data Monitor
WPC80+ (3502.20)
WPC80+ Market Commentary

OVERVIEW

• While low-protein whey trade is rebounding, high protein whey products traded under chapter 35 (or WPC80+) continued to slide, declining by 16% (-1,895 MT) in September – the fifth consecutive month of double-digit declines.

• Only Europe showed much of an increase in imports in September (+99%, +638 MT) as U.S. shipments to the continent doubled compared to last year (but still remain well below 2020 peaks on an annualized basis).

• Otherwise, the three markets that had been critical drivers of demand growth in 2021 all fell: Japan by 26% (-604 MT), China by 15% (-467 MT), and Korea by 44% (-206 MT).

KEY TAKEAWAYS

• Global trade of WPC80+ has consistently declined throughout 2022 after the rapid acceleration in trade we saw in 2020 and 2021 as global consumers prioritized health and wellness and manufacturers launched many new products featuring dairy proteins.

• Today, with less supplies readily available, high prices, and a challenging economic environment, we are seeing trade slow as manufacturers and consumers gravitate towards less expensive alternatives (if they can be found). Yet, global WPC80 prices have eased, and, with milk production increasing, trade should pick up in early 2023.
WPC80+ Market Commentary

COMPETITOR ASSESSMENT

• The U.S., the EU27+UK, New Zealand and Australia all decreased their exports of WPC80+ compared to the same month the year prior.

• The EU27+UK accounted for the largest decline (-27%, -1,201 MT) even though European shipments to China jumped 22% (+297 MT). Declines in European WPC80+ shipments to Japan and Korea accounted for a combined decline of 412 MT (-45%), exports to Southeast Asia fell by 75% (-357 MT), the U.S. by 86% (-266 MT), and South Asia by 37% (-248 MT).

LOOKING AHEAD

• Elevated prices and tight supplies are still the primary headwinds for growth in WPC80+ exports. However, WPC80 prices have weakened significantly since the export orders shown in the data were booked. As such, we should expect a rebound in 2023 in WPC80+ trade, even if 2022 will almost certainly be a decline.

• We will be watching three critical markets for direction on demand: China, Japan and Korea. Those three markets account for over half of global WPC80+ imports. Japan and Korea, in particular, saw dramatic accelerations in demand but those have slowed sharply of late. If Japan and Korea can maintain current import levels (as opposed to revert to trend), the global demand environment will be in good shape in 2023.
Global Overview: WPC80+

Global WPC80+ Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Global Overview: WPC80+

Monthly Global Exports of WPC80+ to World (30-Day Months)

Source: USDEC, Trade Data Monitor
Trade Flows: WPC80+

Global WPC80+ Trade: L12M, Ranked by Largest Market

- China: 28%
- Japan+Korea: 20%
- S. Asia: 10%
- USA: 8%
- SEA: 7%
- Canada: 6%
- Europe: 8%
- S. America: 4%
- Aus+NZ: 3%
- Other: 2%
- SSA: 1%
- Mena: 1%
- Eurasia: 1%
- CentAm+Caribb: 0%

Source: USDEC, Trade Data Monitor
Trade Flows: WPC80+

Last 3 Months: YOY Change in EU27+UK WPC80+ Exports

Source: USDEC, Trade Data Monitor
Trade Flows: WPC80+

WPC80+ Exports to World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
China

WPC80+ Market Share in China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor

Monthly Global Exports of WPC80+ to China (30-Day Months)

Global WPC80+ Exports to China (Rolling 12 Months)
Korea

WPC80+ Market Share in South Korea (Rolling 12 Months)

Monthly Global Exports of WPC80+ to South Korea (30-Day Months)

World WPC80+ Exports to South Korea

Source: USDEC, Trade Data Monitor
Southeast Asia

WPC80+ Market Share in SEA (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
India

WPC80+ Market Share in India (Rolling 12 Months)

Source: USDEC, Trade Data Monitor

Monthly Global Exports of WPC80+ to India (30-Day Months)

World WPC80+ Exports to India (Rolling 12 Months)
Other Dairy Products
Global Overview: Lactose

Key Takeaway: Lactose trade remains a bright spot for the dairy complex, climbing 6% in September (+3,924 MT).

- China has been the critical driver of demand, climbing 33% (+2,932 MT) in September with the U.S. as the crucial supplier to the market (+47%, +3,226 MT), while European lactose exports to China dropped by 46% (-867 MT).

- Aside from China, the results were mixed. The world’s second largest lactose buying region, Southeast Asia, bought 13% (+1,284 MT) and Europe imported an additional 129% (+1,264 MT), but South Asia (primarily India) reduced purchases by 18% (-1,211 MT).

Source: USDEC, Trade Data Monitor
Lactose – China

Lactose Market Share in China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Global Overview: Butterfat

Key Takeaway: Despite butter supplies being tight, increased exportable supplies in New Zealand have buoyed global figures.

- Global trade of butterfat increased 17% (+7,978 MT) in September with New Zealand increasing exports by 74% (+13,315 MT). The U.S. which had been steadily increasing its butterfat exports over the past year did fall (-16%, -1,032 MT) for only the second time since January 2020.

- The largest increases in imports came from Europe (+341%, +2,878 MT) and China (+32%, +2,754 MT), both purchasing more New Zealand butter.

- Once again, Eurasia (-63%, -3,111 MT) was the only significant region that saw a decline in September. To quote July’s report: “the region primarily consists of Russia and given the turmoil from the country’s invasion of Ukraine, it is not surprising to see limited volumes headed to the region.”

Source: USDEC, Trade Data Monitor
Butterfat – China

Butterfat Market Share in China (Rolling 12 Months)

Monthly Global Exports of Butterfat to China (30-Day Months)

Global Butterfat Exports to China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Global Overview: WMP

Key Takeaway: Whole Milk Powder managed an increase of 7% (+8,838 MT) year-over-year – albeit in the seasonal low ebb of trade.

- Trade to China dropped again, falling 38% (-15,099 MT). But New Zealand found alternate customers as global trade saw gains in demand from Southeast Asia (+28%, +5,081 MT), South America (+125%, +8,743 MT) and Central America + Caribbean (+535%, +12,163 MT).

- Global WMP trade remains heavily dependent upon China. As such, two good months in the low months of the season when New Zealand processors clear out inventory should not be taken as a sign of demand strength.

- Looking ahead, until China returns to the market, it is difficult to be bullish around WMP demand.

Source: USDEC, Trade Data Monitor
WMP – China

WMP Market Share in China (Rolling 12 Months)

Monthly Global Exports of WMP to China (30-Day Months)

Global WMP Exports to China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Reach Out for Questions & Comments

William Loux  
VP, Global Economic Affairs  
wloux@usdec.org

Stephen Cain  
Director, Economic Research & Analysis  
scain@usdec.org