A Note from the Authors

• **What is this?** This is *USDEC’s International Demand Analysis*, the newest publication from our Strategy & Insights Department, 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: Another month of growth for global dairy trade in June as total export volume expanded by 6% (+51,966 MT) in milk solids equivalent (MSE). At this point, we’re running out of adjectives to describe the demand surge we’ve seen in China. A counter-seasonal surge in shipments of whole milk powder (+157%, +62,115 MT) made WMP the product of choice within China during the month of June in order to supplement domestic production. Nearly all of WMP was supplied by a strong finish to New Zealand’s season. The most bullish development this month was that China was no longer alone in driving up ingredient demand as shipments to Southeast Asia (SEA) jumped 15% (+22,715 MT MSE, thanks to WMP & whey), and Mexico had its best month in over a year (+23%, +10,316 MT MSE, thanks to NFDM). Still, Middle East-North Africa (MENA) demand remained weak into June (-21%, -29,700 MT MSE).

• Key Takeaway: The surge in June exports of WMP to China likely reflect sales that were made in March-April-May when GDT WMP prices sat comfortably above $4,000/MT and New Zealand presumably drew down inventories to meet demand. While growth to China is expected to continue (raw milk prices in China remain elevated), we expect the pace of Chinese growth to slow in the back half of the year based on the weakening of WMP prices. We are also watching closely whether New Zealand’s pasture conditions will enable a repeat of the milk production growth achieved this past season.

• Competitor Assessment: While New Zealand remained laser-focused on supplying China’s growing demand in June, European exporters targeted markets critical to the U.S. – the domestic U.S. market and Southeast Asia. Aided by the suspension of Airbus tariffs, European cheese and butter exports to the U.S. both had their strongest month in over a year. In Southeast Asia, Europe continued to target U.S. NFDM/SMP market share with shipping delays hampering U.S. exports. The growth of Europe in these markets manifested despite tighter milk supplies (total EU27+UK exports declined by 1%, -3,791 MT MSE) as falling MENA demand pushed more EU product into SEA and the U.S.

• Looking Ahead: Looking towards the back half of the year: we expect China’s milk powder imports to remain strong even if they slow from their current pace. Conversely, low protein whey export growth to China is likely to remain flat (albeit compared to very strong comparisons) at least through Q3. A particularly positive outlook we foresee for the U.S. is that Mexico’s demand should continue its recovery even if volumes remain below pre-pandemic levels. However, several watch-outs remain. First, the Delta variant has the greatest potential to hamper demand growth, particularly given severe outbreaks in SEA and MENA and renewed lockdown measures in Australia and Japan. Second, shipping delays out of the U.S. are unfortunately likely to become worse rather than better as the back-to-school import rush will be followed by holiday buying import rush. Both of which are likely to prolong the congestion and potentially further strain supply chains. Finally, while global dairy prices (primarily milk powders but also in whey products) have fallen from their Q2 peaks, they still remain elevated compared to what many buyers have grown accustomed to. This is may burn off some demand from price sensitive buyers, like we’ve been seeing in MENA.
Executive Summary: June 2021

Monthly Global Exports of Total Milk Solids to World (30-Day Months)

YoY Change in Total Milk Solids Trade to World: Latest Month (Jun)

YoY Change in Global Total Milk Solids Trade: Latest Month (Jun), Ranked by Largest Market

YoY Change in Global Dairy Trade: Latest Month (Jun), Ranked by Total Product Trade

Source: USDEC, Trade Data Monitor
Month of June 2021, Milk Solids Equiv.

- **Mexico**: +23% (+10,316 MT)
- **MENA**: -21% (-29,700 MT)
- **S. Am**: -2% (-393 MT)
- **SEA**: +15% (+22,715 MT)
- **JPN+KOR**: -14% (-8,047 MT)
- **Oceania**: -14% (-4,439 MT)
- **China**: +39% (+74,191 MT)

Note: Size of bubble denotes total imports.
Source: USDEC, Trade Data Monitor
Cheese
Cheese Market Commentary

• **Overview:** Global cheese demand remains seemingly little affected by the global pandemic with global cheese trade up 7% (+12,643 MT) despite being compared to the highest month of 2020. As mentioned in the executive summary, shipments to the U.S. coming from Europe following the suspension of the Airbus tariffs grew substantially (+70%, +6,314, from all suppliers). Slightly surprisingly given the state of the pandemic in the region, but the second largest growth came from Southeast Asia. Volumes to SEA jumped sharply (+64%, +5,059 MT) as New Zealand nearly tripled their exports in all the major varieties: grated cheese (including presumably some mozz), cheddar and fresh cheese. Aside from the U.S. and Southeast Asia, several other markets performed well with Central America and the Caribbean, South America, China and MENA all posting growth over 1,000 MT.

• **Key Takeaway:** Cheese trade to Japan and Korea had another rough month, declining by 23% (-7,581 MT) and 22% (-3,590 MT), respectively. While 2020 comparisons for both May and June were abnormally strong, in Japan’s case, global trade fell below 2019 as well. Lack of product availability from Europe and shipping delays out of the U.S. could be part of the problem, but with another month of data showing slower exports to both countries, it’s likely that the pandemic is taking its toll on foodservice consumption in Korea and Japan.

• **Competitor Assessment:** Fresh and mozzarella-type cheeses were the stars of global trade in June even with reduced shipments to Korea. Solid volumes to China and dramatic surges to SEA and MENA were the primary culprits. New Zealand shipped an additional 2,795 MT of fresh/mozz cheeses, with growth focused on SEA, Taiwan and China. On the other hand, EU27+UK fresh/mozz volumes were up an astonishing 5,105 MT with gains in MENA, SEA, Japan and China. Beyond fresh/mozz, cheddar/gouda volumes out of Europe remained lackluster (gouda exports fell by 21% and cheddar fell by 4%) while hard Italian cheeses (primarily destined for the U.S.) gained again in June.

• **Looking Ahead:** Renewed lockdowns, a freezing of travel and tourism, and general economic uncertainty remains the primary watchout for international cheese demand in the year ahead. Our focus in the months ahead will be centered on Korea and Japan, the two largest cheese markets open to U.S. exporters (and the U.S.’ second and third largest markets). Historic import growth trends suggest this is a temporary phenomenon, but slower growth from these two markets will have implications for the U.S. cheese prices. To end on a dose of optimism, U.S. export growth in the back of the year is still expected given U.S. prices, the general recovery in Mexican demand, and product availability.
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

Source: USDEC, Trade Data Monitor
Global Overview: Cheese – Latest Data

Source: USDEC, Trade Data Monitor
Trade Flows: Cheese

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

Source: USDEC, Trade Data Monitor
Mexico

Cheese Market Share in 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)

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

World Cheese Exports to Japan

Source: USDEC, Trade Data Monitor
Australia

Cheese Market Share in Australia (Rolling 12 Months)

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)

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

Global Cheese Exports to 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:** Once again, China’s increasing demand led the way in NFDM/SMP even if, on the surface, the growth wasn’t as dramatic as past months (+27%, +9,915 MT). However, digging deeper, we can see that June’s data lapped over strong year-over-year comparisons, and June 2021 was the strongest month for NFDM/SMP export volumes to the country ever. While there is traditionally a small seasonal bump in June and July (following the Northern Hemisphere’s spring flush and New Zealand finishing its season), the amount of SMP going to China in June is reflective of strong underlying demand within the country for dairy products beyond fresh milk. Unfortunately, Southeast Asia took a small step back again, falling 2% (-1,352 MT), likely exacerbated by U.S. shipping delays, and MENA continues its downward slide (-22%, 7,974 MT).

- **Key Takeaway:** Mexican buyers have returned. While not fully back to pre-pandemic levels, the country is at least consistently above 2020 volumes. Exports have surpassed 2020 levels by double-digit growth rates in every month since February. June further amplified this trend as NFDM/SMP exports to Mexico reached the highest point since October 2019 and surpassed June 2019 volumes by 22%. Some of the growth is likely due to drought conditions pushing buyers who are worried about supply to look to imports. More optimistically, overall demand within the country seems to be recovering as vaccines become more widely distributed, consumers return to restaurants, and tourism picks up; all of which are helping move the economy in a more positive direction.

- **Competitor Assessment:** Although lackluster milk production limited exportable supply of European SMP in June (-0%, -206 MT), the decline in MENA demand resulted in plenty of competition in crucial U.S. export markets in Southeast Asia, with EU supply focusing on Thailand, Malaysia and Indonesia (EU27+UK shipments to SEA +17%, +2,888 MT). Europe isn’t just targeting U.S. market share in SEA, but also New Zealand’s as the Oceania supplier focused on China. New Zealand shipments to China jumped 83% (+5,788 MT) while exports to the rest of the world fell by 5,203 MT;

- **Looking Ahead:** Although we continue to discuss the competition the U.S. is facing in NFDM/SMP in Southeast Asia, we anticipate the U.S. will further strengthen its hold as the undisputed largest NFDM/SMP exporter in the world. That gain was further cemented in June with U.S. export volumes growing by 5,579 MT. Given the strong U.S. milk production growth expected in the back part of the year (even if the U.S. herd expansion cycle has ended) and weak domestic demand for NFDM or concentrated skim, there should be plenty of U.S. NFDM/SMP supply available for export. Still, port delays are expected to remain, if not worsen, and problems at port – which are largely outside of the control of U.S. suppliers – will continue to be the primary barrier to U.S. NFDM/SMP export growth in the back half of the year.
Global Overview: NFDM/SMP

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
Global Overview: NFDM/SMP – Latest Data

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

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

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

SMP/NFDM Market Share in 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)

Global SMP/NFDM Exports to SEA (Rolling 12 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
Whey Products (0404.10)
Market Commentary

• **Overview:** June was a bounce-back month for low protein whey exports (predominantly sweet/acid whey, permeate, demin and WPC34) after exports in May were virtually flat compared to the prior year. Global whey traded under the HS code 0404.10 expanded at 10% (+12,551 MT) compared to June 2019 and jumped month-to-month as well. Astonishingly, China was not the one driving June’s expansion, but rather it was Southeast Asia, which grew by 34% (+9,997 MT). Volumes to China did still grow (+7%, +3,453 MT), but the growth was much slower than what we’ve been accustomed to. As we said in the past editions, the collapse in pork prices inside of China (caused by a supply glut as African Swine Fever outbreaks caused many farmers to push more pigs to market) along with higher feed costs reduced incentives for China to keep expanding its herd at the pace it did in 2020.

• **Key Takeaway:** If China whey demand has reached a point of maturity (even just a temporary one), then the only international whey buyer of comparable size and potential for growth is Southeast Asia, which makes this month’s data particularly welcome. Stronger Southeast Asian demand is not limited to just one month – the last three months have been the highest months in the past year. Year-to-date, Indonesia and Vietnam have led the way, but in June, they were joined by increases from Malaysia and Thailand. Finally, as a greater percentage of the sweet whey and permeate going into Southeast Asia is for food applications rather than feed, rising demand in the market will also increase the value of whey exports.

• **Competitor Assessment:** Most of the large whey exporters remain focused on competing in China, but as we’ve focused on that in prior editions, let’s take a closer look at Southeast Asia. In the region as a whole, Europe still commands a majority of the market with the U.S. hovering at around 30% market share. Over the past twelve months, the EU27+UK, U.S., Australia and Belarus have all been growing their export volumes at a roughly comparable rate, so market share has not moved too dramatically over that time period. Still, the boom in the last three months is a result of greater EU27+UK shipments, particularly to Indonesia, where they had lost market share last year due to political disputes around palm oil. The dispute has now largely abated resulting in greater competition for the U.S.

• **Looking Ahead:** We remain optimistic that the flat demand growth in Chinese whey for feed is largely temporary. As the supply glut works its way through the system, underlying fundamentals should support further expansion by commercial pig operations but likely not until late 2021 at the earliest. Still, if demand in Southeast Asia remains strong, the market should find good support even as China’s growth slows. The bigger challenge, given port delays, will be for the U.S. to defend (or, ideally, expand) market share in SEA.
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
Global Overview: Whey (0404.10) – Latest Data

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 Belarus Whey (0404.10) Exports

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

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

Source: USDEC, Trade Data Monitor
China

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

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

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

Source: USDEC, Trade Data Monitor
Southeast Asia

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

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

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

- **Overview:** Similar to overall global growth, we’re running out of adjectives for whey proteins trade. Growth has been steady and reliable both during the worst of the pandemic and in whatever stage we’re currently living in. In June, global WPC80+ trade expanded by 25% (+2,557 MT); in May it was 27% growth and in April it was 21% growth. The major change that occurred in June was an evolution in destination markets. Shipments to India from the major exporters went from 58 MT last June to 1,032 MT in June 2021. China took a small step back (-5%, -187 MT), but it was against strong comparisons.

- **Key Takeaway:** The surge in Chinese WPC80+ buying – caused by government initiatives to increase domestic infant formula manufacturing – seems to have reached an equilibrium. Total shipments have been running close to prior year levels for several months now with little month-to-month fluctuation. Some of the hesitancy to grow domestic IF manufacturing (and thus increase WPC80+ imports) may be a result of rumors that the Chinese government considered price caps on infant formula to incentivize families to have more children. While it remains unclear if such a policy will materialize (or even if such a move would be effective), the rumors have sufficiently spooked investors as share prices of some of the large IF manufacturers in China has dropped sharply over the past couple months.

- **Competitor Assessment:** Europe continues to benefit from preferential access to the Indian market, but given production limitations has had to cede ground in other key markets. EU27+UK exports of WPC80+ fell to China by 41% (-696 MT) and to the U.S. by 69% (-649 MT). Volumes to Korea and Japan both ticked up, but not by large volumes. So, overall market share each of these countries declined as U.S. suppliers met customers’ demand needs.

- **Looking Ahead:** Beyond infant formula uses, we are still expecting the renewed focus on health and wellness to persist in the post-pandemic environment and boost protein demand. While supply should catch up closer to demand – particularly with the many announcements focused on cheese capacity expansions here in the U.S. – demand growth should persist, particularly centered in East Asia, which will be favorable to U.S. exporters.
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 31%
- Japan+Korea 16%
- Europe 9%
- S. Asia 9%
- USA 8%
- SEA 7%
- S. America 3%
- Other 3%
- Australia+NZ 2%
- Mexico 1%
- SSA 1%
- MENA 1%
- CentAm+Caribb 0%

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

YOY Change in Global WPC80+ Trade: Latest Month (Jun), Ranked by Largest Market
Trade Flows: WPC80+

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

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

WPC80+ Market Share in World (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
China

WPC80+ Market Share in China (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Southeast Asia

WPC80+ Market Share in SEA (Rolling 12 Months)

Source: USDEC, Trade Data Monitor
Europe

WPC80+ Market Share in Europe (Rolling 12 Months)

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

Global WPC80+ Exports to Europe (Rolling 12 Months)

Source: USDEC, Trade Data Monitor (excl. intra-EU trade)
Other Dairy Products
Global Overview: Lactose

**Key Takeaway:** Like WPC80+, the surge in Chinese lactose buying seems to have abated with IF manufacturers well stocked. Positively, the U.S. market share in China has started to recover even though EU27+UK suppliers remain active. From all suppliers, shipments to China were down 20% (-2,766 MT), off strong comparisons, which contributed to global lactose shipments falling 9% (-6,369 MT).

- Aside from China, there has been a consistent reduction in purchases from Southeast Asia in 2020 that continued in June (-15% in June; -12% year-to-date). South Korea was down sharply in June (-45%) but remains positive on the year.
- Overall, the slowdown seen in the data suggests Europe has less lactose on hand available for export as total shipments out of the EU27+UK are down 13% YTD (-19,831 MT). While this dynamic may persist through the end of the year given their milk production outlook, the longer-term trend still suggests Europe is targeting lactose as a growth product.

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: Global butterfat trade continued to lag prior year levels into June, falling 5% (-3,380 MT). Once again, MENA buying was the primary culprit as total shipments fell by nearly half (-47%, 8,937 MT) even as U.S. sales grew.

- Positively, we did see demand strength out of China (+19%, 2,150 MT) and Southeast Asia (+40%, +3,691 MT) which have quickly cemented themselves as the most reliable butterfat markets as MENA moves towards more alternative fats. Most of the growth from SEA has been around AMF versus China buying greater butter quantities, though both buy plenty of each.
Butterfat – MENA

Butterfat Market Share in MENA (Rolling 12 Months)

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

Global Butterfat Exports to MENA (Rolling 12 Months)

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)
Global Overview: WMP

Key Takeaway: Chinese demand (+157%, +62,115 MT) once again more than made up for declines in WMP trade to the rest of the world, particularly the Middle East-North Africa (-24%, -13,112 MT) and Sub-Saharan Africa (-35%, -6,378 MT) as those two markets have found a cheaper alternative in fat-filled milk powder.

- Shipments to Southeast Asia did pick in June (+44%, +9,196 MT) with Thailand and Indonesia buying significantly more (+144%, +5,665 MT for Thailand; +390%, +4,738 MT). Most of the increased volume to SEA came from New Zealand (+32%, +5,534 MT), but Australia (+383%, +2,888 MT) and Europe (+104%, +1,133) were no slackers either. Perhaps some of the increase is due to the year-over-year comparisons, but regardless, improved demand in SEA is welcome as we anticipate China WMP import growth to slow in Q3 and other buyers will need to step in to fill the gap.
WMP – China

Source: USDEC, Trade Data Monitor
WMP – MENA

WMP Market Share in MENA (Rolling 12 Months)

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

Global WMP Exports to MENA (Rolling 12 Months)
Reach Out for Questions & Comments

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