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International Demand Analysis

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U.S. Dairy
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Ingredients | Products | Global Markets

Data Through:

January 2024

TABLE OF CONTENTS

- I. [Executive Summary](#)
- II. [Cheese](#)
- III. [NFDM/SMP](#)
- IV. [Whey Products \(0404.10\)](#)
- V. [WPC80+ \(3502.20\)](#)
- VI. [Other Products](#)
 - I. [Lactose](#)
 - II. [Butter](#)
 - III. [WMP](#)

A Note from the Authors

- This is the **International Demand Analysis** from the Dairy Economics Team at National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC). This monthly report outlines the latest global dairy trade trends and data combined with our own commentary analyzing demand in 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.
- **Data Notes**
 - All comparisons are year-over-year unless otherwise noted.
 - 3-Year CAGR is calculated from most recent 12-months and not from calendar year.
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 - [**wloux@usdec.org**](mailto:wloux@usdec.org)
 - [**scain@usdec.org**](mailto:scain@usdec.org)
 - [**mganley@usdec.org**](mailto:mganley@usdec.org)

Global Dairy Demand Market Commentary



KEY TAKEAWAYS

- **Global dairy trade started 2024 on a positive note, gaining 5%** (+42,350 MT MSE) compared to January 2023.
- As we look to 2024, several regional trends have come into focus: First, **Mexico's previously booming demand is cooling** for ingredients even as cheese imports and the country's economy remain strong. Second, **China's import demand is at its lowest ebb since before the COVID-19 pandemic** with SMP and low-protein whey stumbling even as WMP and fluid milk imports stabilize. Gratefully, on a more positive note, **Southeast Asia's imports have started to improve** (albeit slowly) at the same time **the Middle East-North Africa (MENA) is still very active**.
- On the product side, **cheese and high-protein whey continue to be the primary growth categories**. In the last nine months, global cheese trade has grown in eight of those months and even accelerated since October. Similarly, WPC80+ trade has grown every single month since May. The rest of the complex, however, continues to run sideways with lower value commodities, like low-protein whey, FFMP/blends and NFDM/SMP continuing to be pressured by **economic realities hampering consumption, particularly from vulnerable populations**.

Global Milk Solids Trade

+4.7%

January YoY

+4.7%

YTD, Ending January

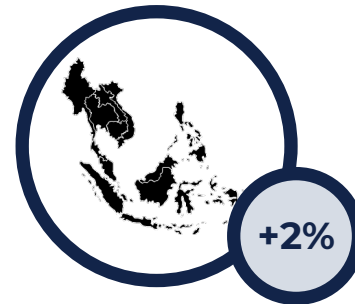
0.0%

Last 12-Months,
Ending January

-0.4%

3-Year CAGR

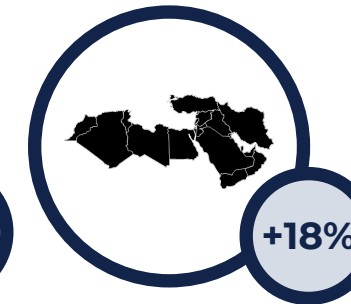
January Standout Markets



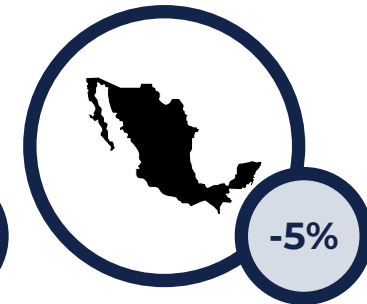
SOUTHEAST ASIA
+2,890 MT



CHINA+HK
-658 MT



MENA
+24,582 MT



MEXICO
-2,867 MT

ADDITIONAL NOTES

New Zealand's surprisingly robust milk production in the 2023/24 season has provided most of the supply side uplift in recent months as EU sales held steady and U.S. exports have declined. In January, NZ exports climbed 14% (+37,024 MT MSE), continuing the country's recent run of stronger than expected export sales. Still, it's worth keeping in mind that NZ's exports are still roughly equal to where they were at the close of 2019. Beyond New Zealand, several of the secondary exporters witnessed better than expected growth in January. UK shipments jumped 17%, Australia improved by 9%, Argentina gained 14%, and Uruguay increased by 16%. Even Turkish exports have started improving (albeit after declining by more than 50% in 2023). Overall, global supply remains constrained but with limited milk production in the U.S. and Europe, alternative suppliers have become more active.

Global Dairy Demand Market Commentary



LOOKING AHEAD

- **Even after a surprisingly robust January, we still anticipate global dairy demand to remain subdued through the first half of the year.** As we discussed in last month's edition, cheese and high-protein whey should continue their growth trajectory, but continued weakness in China and regression in ingredient demand from Latin America is likely to limit expansion through at least the first half of 2024.
- Over the past year, we've described the global market today as **a tug of war between weak milk production and anemic demand.** To keep this analogy going, it appears both sides are now pulling even harder. Despite higher components, **U.S. and EU milk production looks poised for a sluggish 2024** as we near the Northern Hemisphere's spring flush. At the same time, **foodservice demand is struggling in both the U.S. and Europe.** Growth at retail and exports is only partially able to counterbalance the foodservice weakness as cash-strapped consumers watch for bargains and eat at home. Overall, **easing inflation and relatively robust GDP growth should support dairy consumption, but the economic recovery is by no means universal nor progressing at the same pace for every consumer.**

U.S. Milk Solids Exports¹

-6.2%

January YoY

-6.2%

YTD, Ending January

-8.1%

Last 12-Months,
Ending January

-2.8%

3-Year CAGR

EU Milk Solids Exports

-0.2%

January YoY

-0.2%

YTD, Ending January

+2.9%

Last 12-Months,
Ending January

+1.0%

3-Year CAGR

NZ Milk Solids Exports

+14.4%

January YoY

+14.4%

YTD, Ending January

+7.3%

Last 12-Months,
Ending January

+2.4%

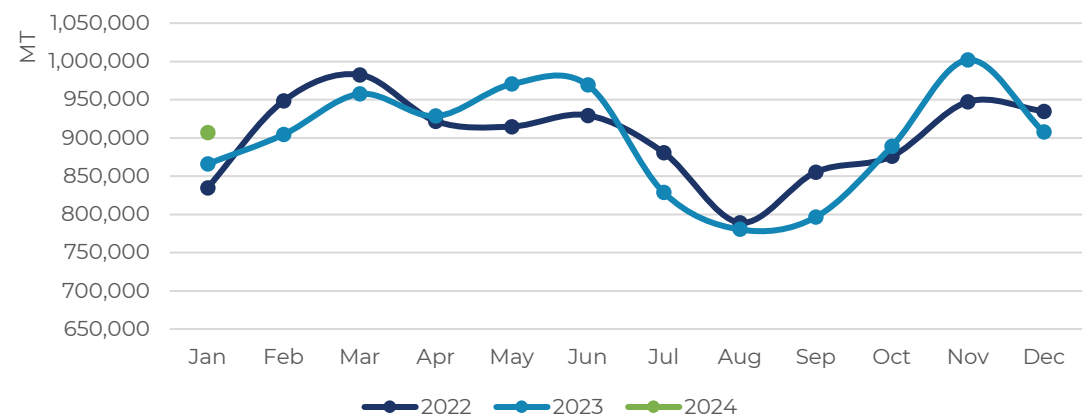
3-Year CAGR

ADDITIONAL NOTES

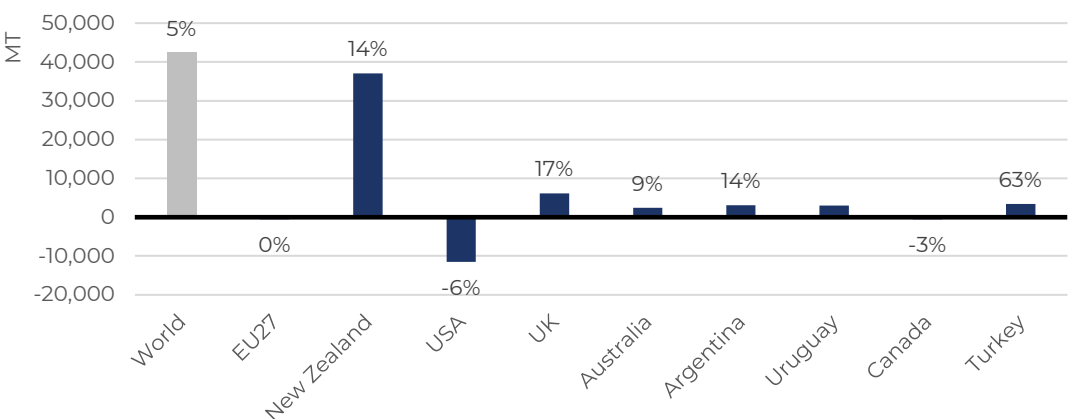
Despite global prices easing, very few markets appear to be building inventory. The average dairy export price has declined by 17% from the peaks of 2022 with nearly every dairy product price weaker (WPC80+ is perhaps the only exception given a surge in pricing for Q4 shipments though prices remain below 2022's record levels). High interest rates, need for liquidity and an expectation that supply is readily available is diminishing importers' incentive to carry inventory even as prices for most dairy products are at attractive levels. Arguably, the Middle East-North Africa may be holding heavier milk powder inventory and Southeast Asia appears to be replenishing depleted stocks, but, in general, ingredient inventories are low in most importing markets. With the exception of cheese and permeate, there is very little supply cushion in the market, suggesting significant short squeeze potential if demand starts picking up (perhaps driven by China reducing their milking herd...).

Executive Summary: January 2024

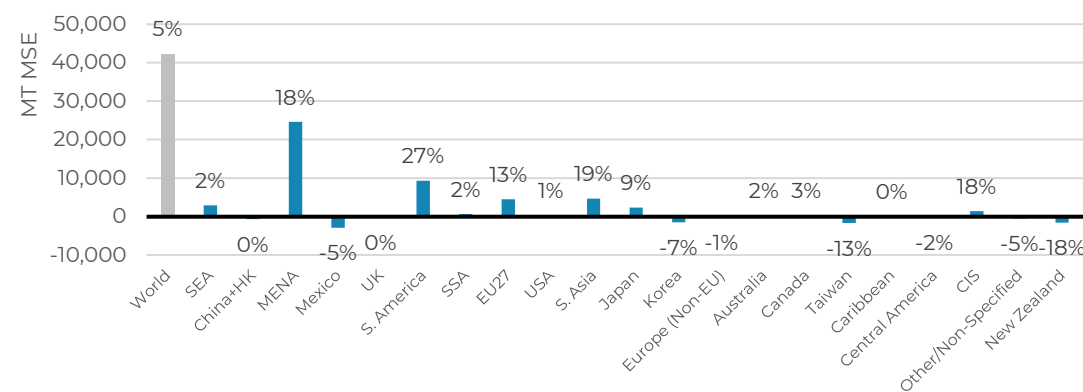
Global Total Solids Trade to World



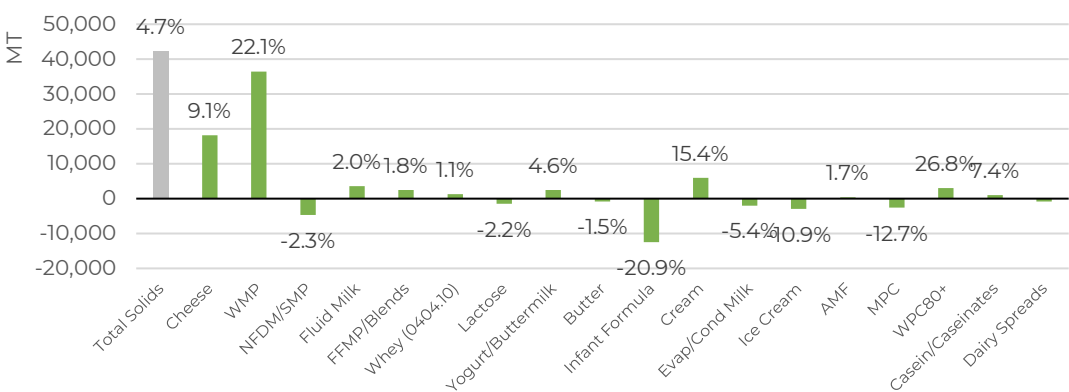
YOY Change in Global Dairy Trade to World: Month of Jan, MSE



YOY Change in Global Milk Solids Trade by Destination: Month of Jan



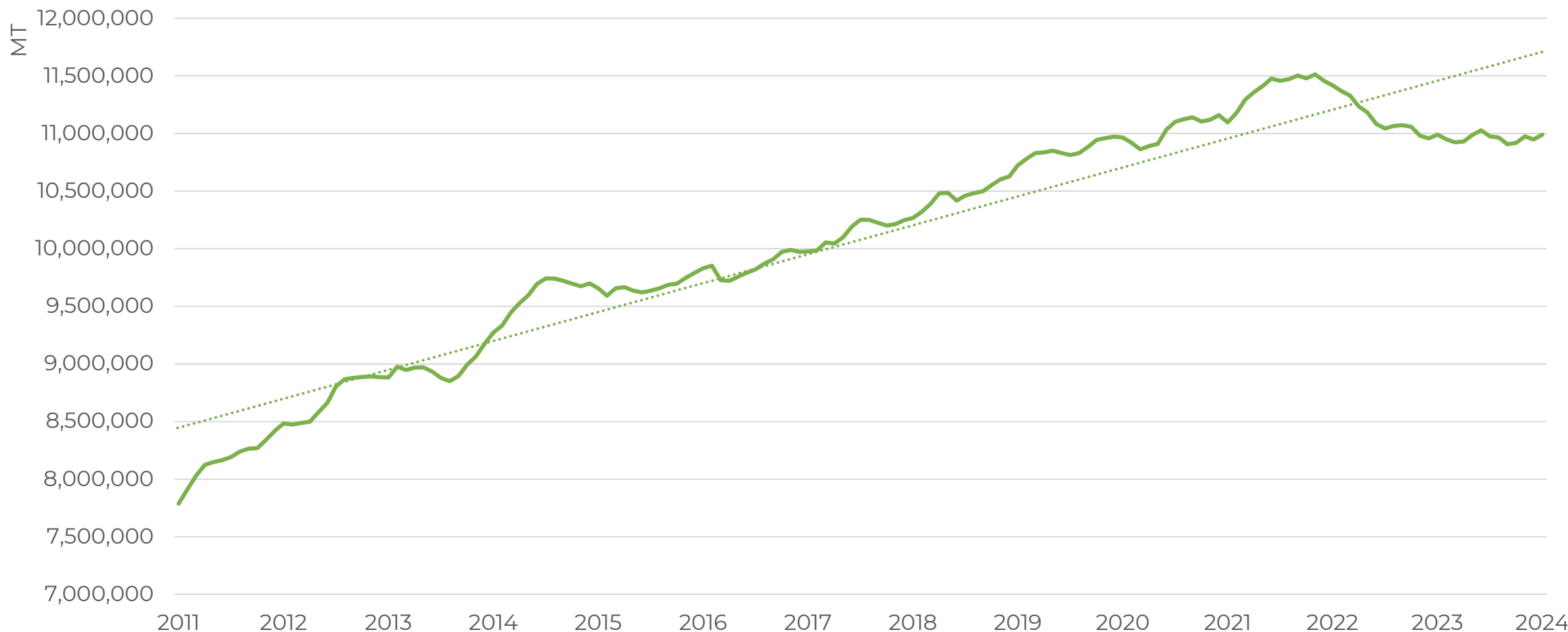
YOY Change in Global Dairy Trade to World by Product: Month of Jan



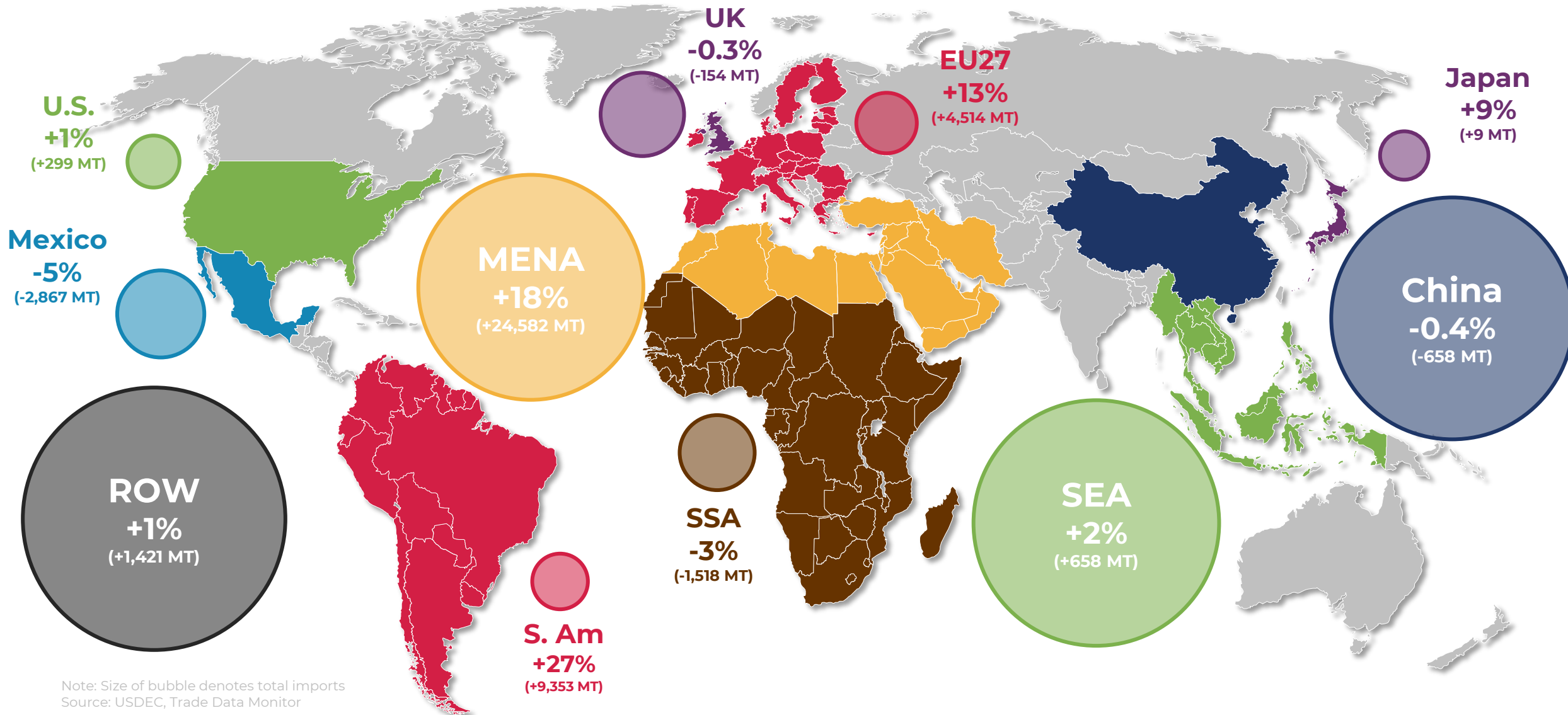
Global Dairy Trade

Global Dairy Trade

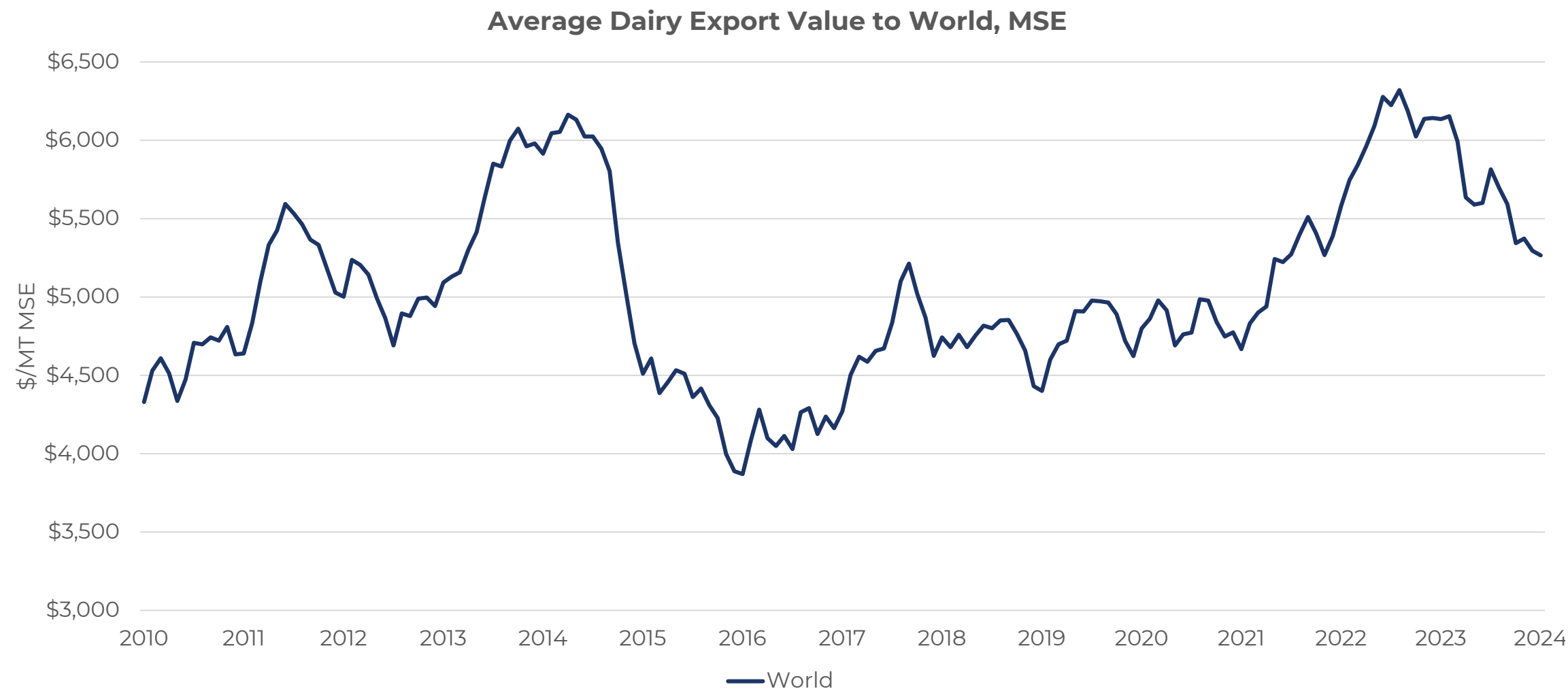
(Milk Solids Equivalent, Rolling 12 Months)



Select Markets – Month of Jan. 2024, Milk Solids Equiv.

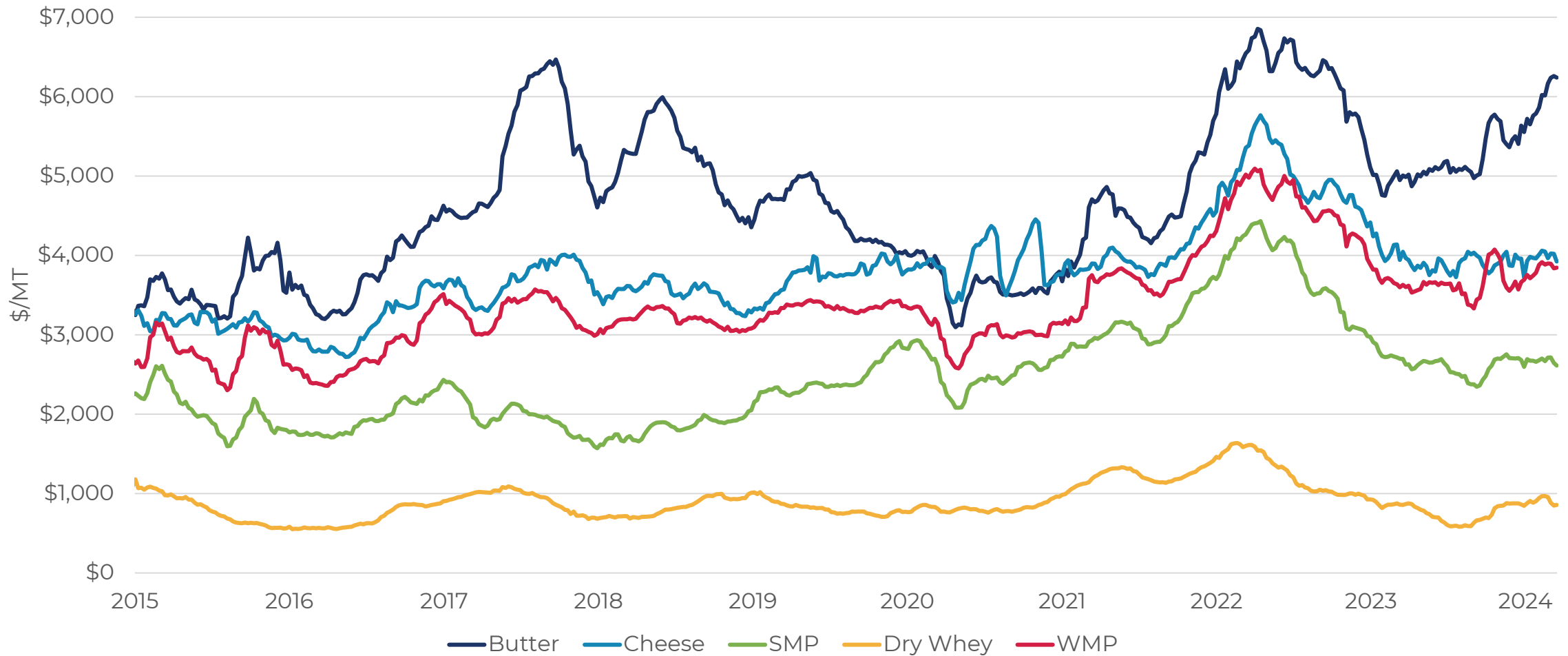


Average Global Export Price



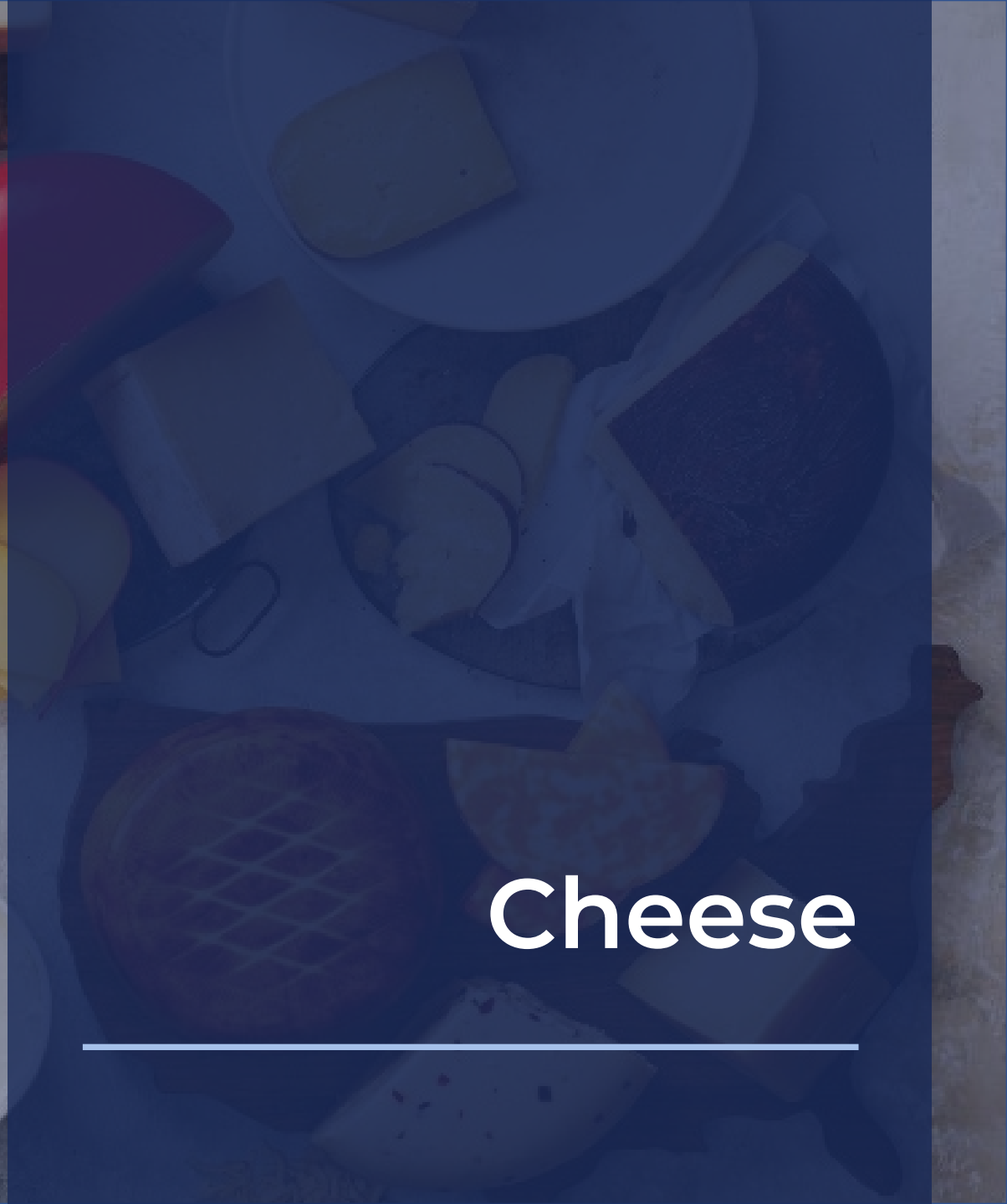
Global Dairy Spot Prices

Average US, EU, & NZ Wholesale Prices for Select Dairy Products





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Cheese

Cheese Market Commentary



KEY TAKEAWAYS

- **Global cheese trade accelerated in January** (+9%, +18,109 MT), building off the momentum seen late last year. At a total of 217,177 MT, January's cheese trade was the second highest ever recorded for the month and just 0.6% shy of the January record set in 2020.
- The gains in cheese trade were nearly universal with **almost every major destination posting YOY increases**. Latin America continued to shine as a burgeoning cheese destination with volumes up markedly to Mexico (+38%, +4,084 MT), South America (+36%, +3,313 MT), and Central America (+45%, +1,731 MT).
- **Developed markets were also a major driver of global cheese trading activity** in January as both the US and the EU saw cheese trade increase by 27%, adding 3,282 MT and 2,691 MT, respectively, to the global total. The UK contributed another 1,642 MT (+5%) while shipments to Australia grew by 1,104 MT (+13%) relative to the same month last year.

Global Cheese Trade

+9.1%

January YoY

+9.1%

YTD, Ending January

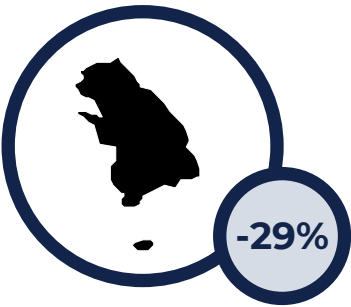
+2.9%

Last 12-Months, Ending January

+1.7%

3-Year CAGR

January Standout Markets



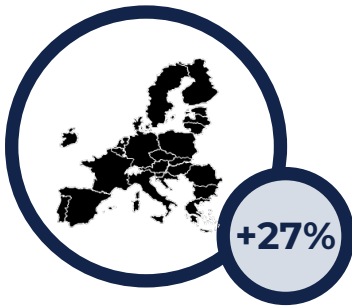
KOREA

-4,063 MT



SOUTH AMERICA

+3,314 MT



EU27

+3,282 MT



MEXICO

+4,085 MT

ADDITIONAL NOTES

The only major destination that continues to see cheese trade lag is South Korea where volumes tumbled by 29% (-4,063 MT) in January. Shipments to Korea have trailed prior year levels in ten of the last 11 months as a stagnant economy has led consumers to curb their spending and has likely slowed cheese consumption, especially through foodservice channels. South Korea's central bank is forecasting GDP to grow by 2.1% in 2024, up slightly from the 1.4% growth achieved in 2023. While improved economic performance, however modest, is welcome, stronger gains will likely be necessary before South Korea's cheese imports can return to the levels seen in recent years.

Cheese Market Commentary



LOOKING AHEAD

- The strength of global cheese trade has been encouraging, especially considering that the trend has been sustained for several months and is visible across diverse geographies. **Improving cheese demand suggests that consumer confidence is beginning to recover** and that middle income consumers are once again turning to cheese-laden dishes from their favorite restaurants and adding more cheese to their grocery carts.
- **Further improvement in the global economy this year should help to extend the expansion in global cheese trade**, though risks to the outlook persist. Several key markets in Asia and Latin America are only anticipating modest economic growth this year while broader issues of geopolitical conflict and logistics challenges cast a shadow of doubt across the broader global economy.
- Global cheese values have retreated in recent weeks. Amplified cheese production and rising seasonal milk production in the Northern Hemisphere should help to **keep cheese competitively priced for global buyers**.

U.S. Cheese Exports

+0.6%

December YoY

-3.4%

YTD, Ending December

-3.4%

Last 12-Months,
Ending December

-1.1%

3-Year CAGR

EU Cheese Exports

+8.1%

December YoY

+3.6%

YTD, Ending December

+3.6%

Last 12-Months,
Ending December

+1.2%

3-Year CAGR

NZ Cheese Exports

-16.9%

December YoY

+10.3%

YTD, Ending December

+10.3%

Last 12-Months,
Ending December

+3.3%

3-Year CAGR

ADDITIONAL NOTES

With demand on the rise, many global cheese suppliers were able to increase shipments and claim part of the spoils. The largest gains went to Europe as the EU (+6%, +6,212 MT) and the UK (+29%, +4,086 MT) combined to account for nearly 57% of the combined net gain in global cheese trade. The US also had a strong showing, increasing shipments by 13% (+4,234 MT) while Australia grew exports by 3,563 MT (+48%). South American cheese also found a home abroad as Argentina's shipments grew by 31%, contributing another 1,990 MT to the global trade total. Of the major suppliers, only New Zealand saw volumes shrink (-10%, -3,348 MT) as New Zealand aggressively routed milk into powder production.

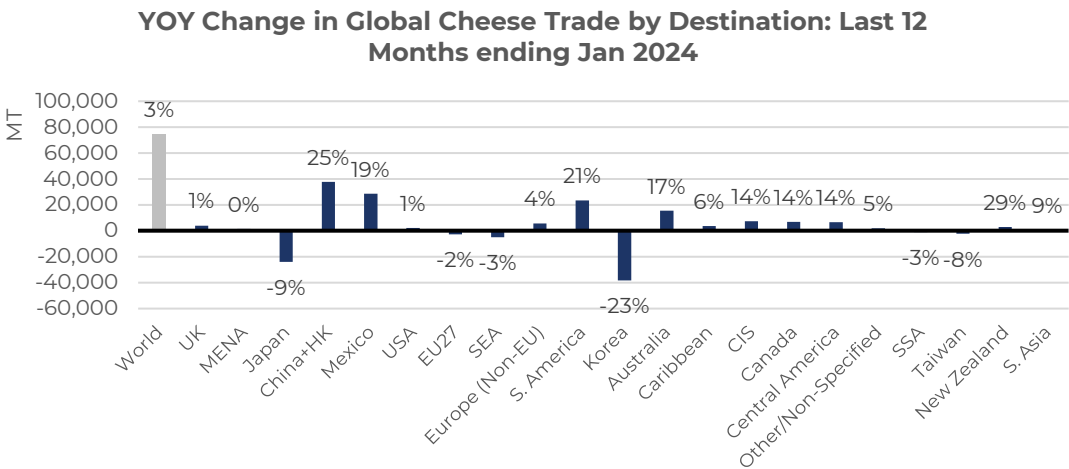
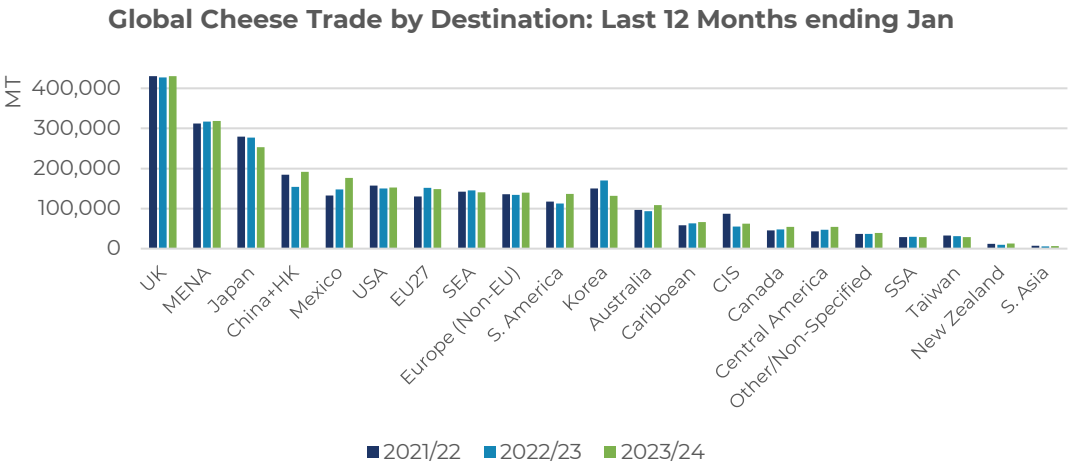
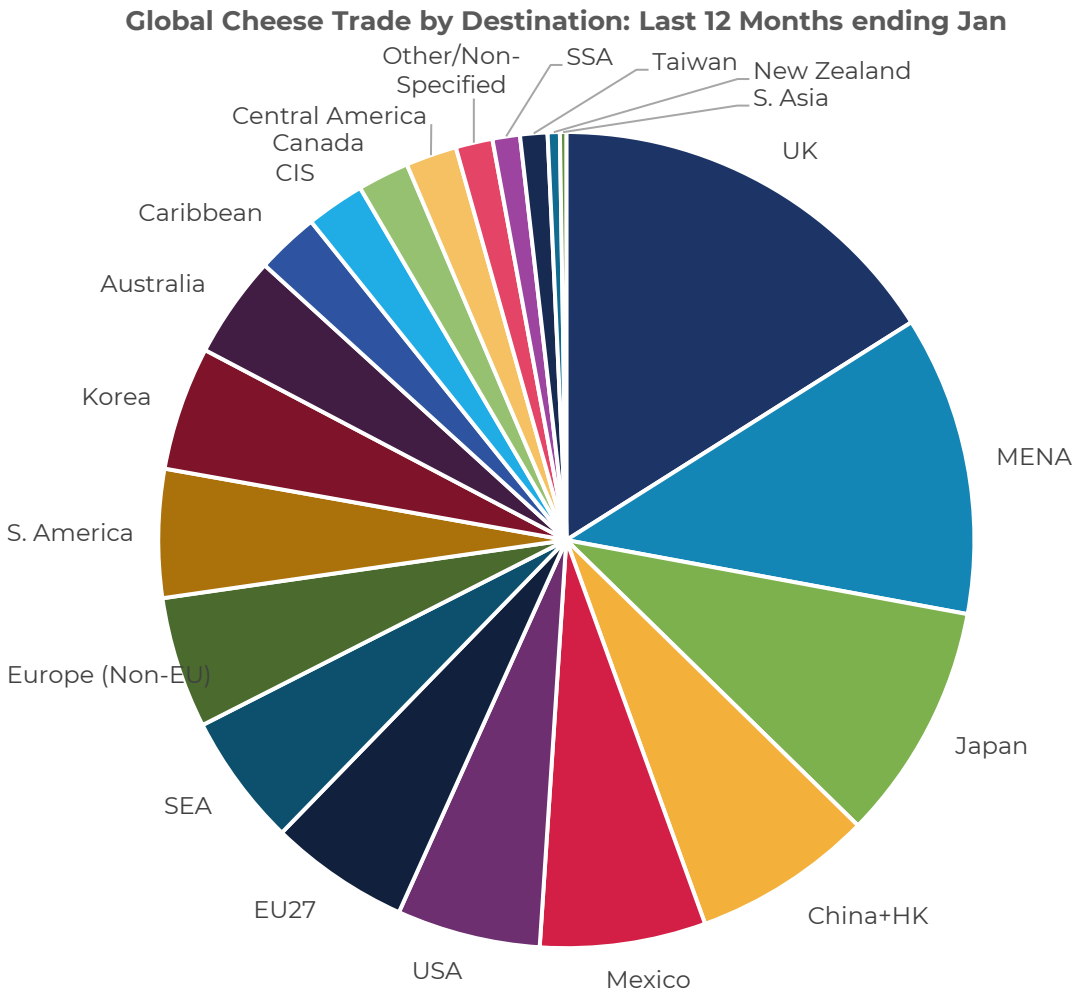
Global Overview: Cheese



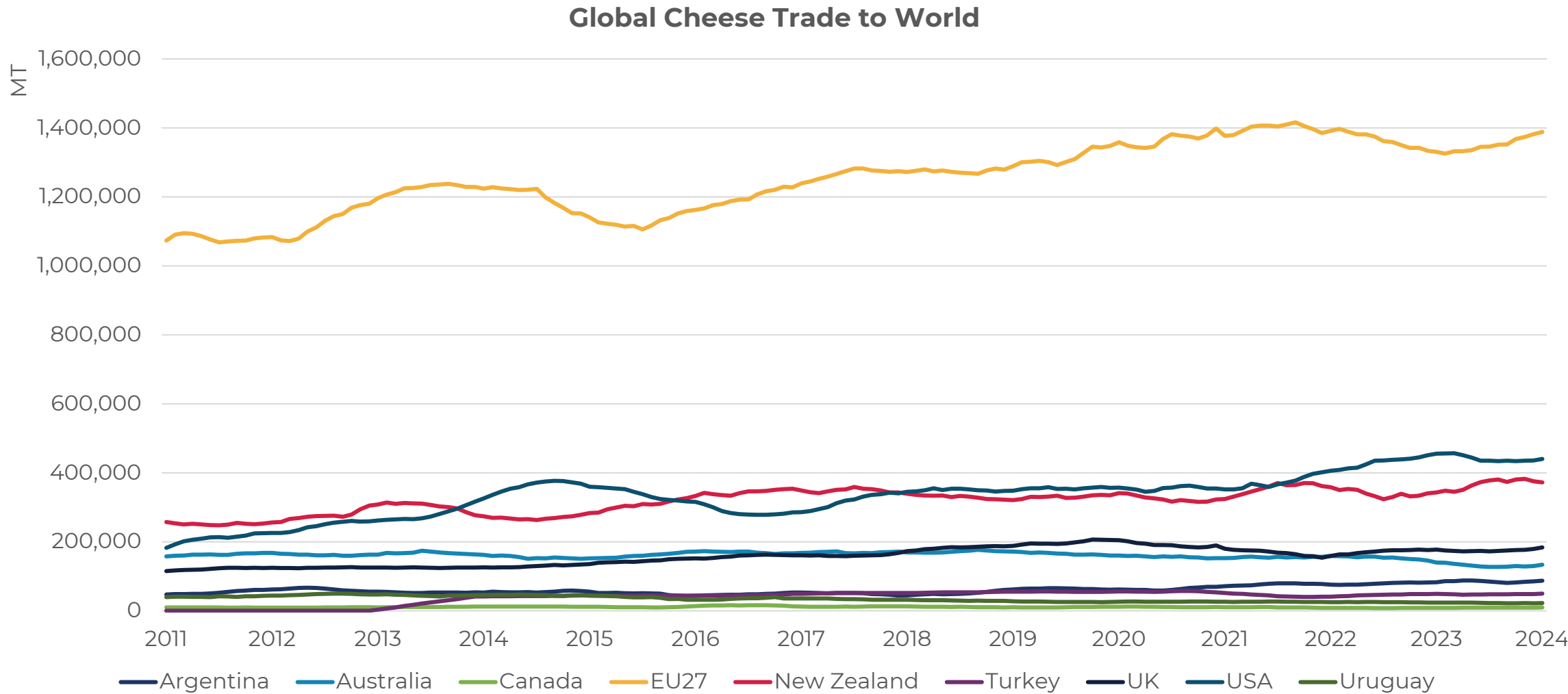
Global Overview: Cheese



Global Overview: Cheese – Last 12 Months

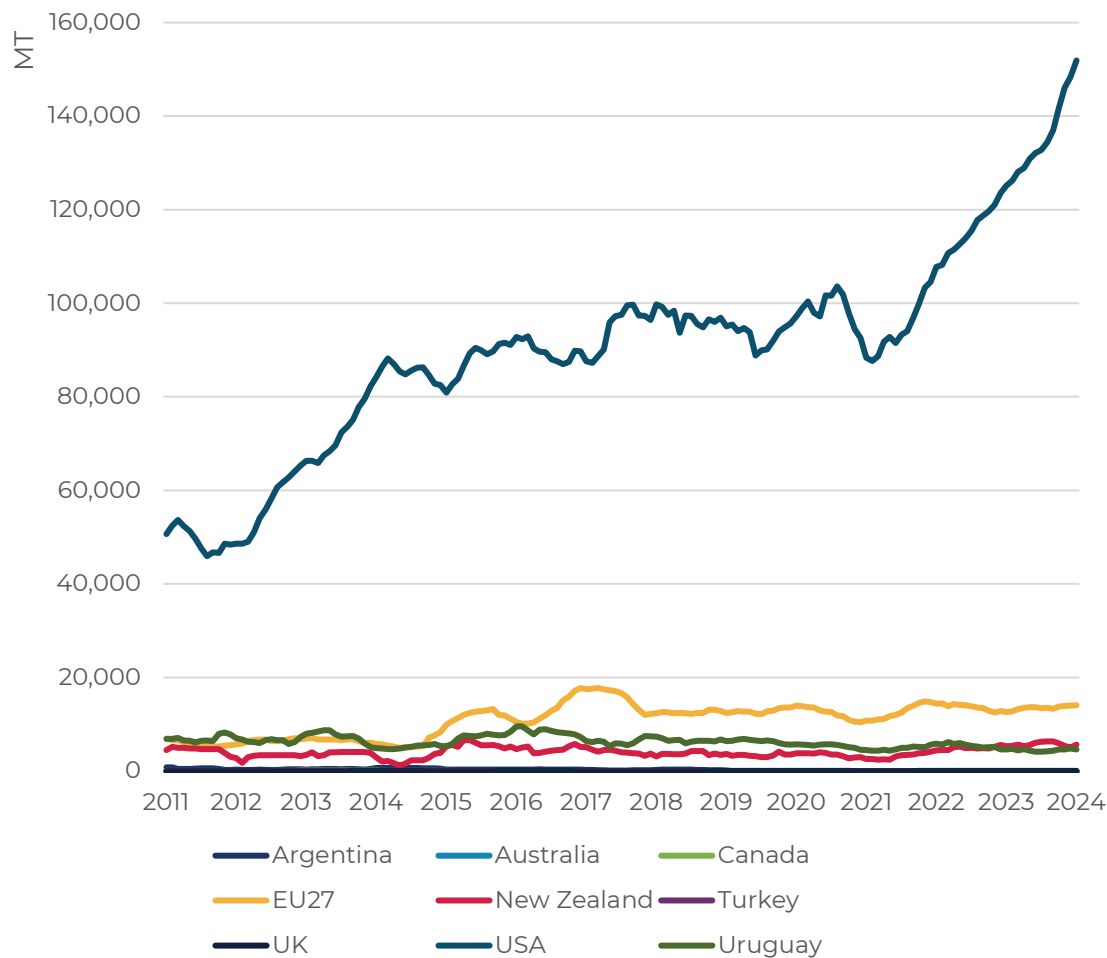


Trade Flows: Cheese

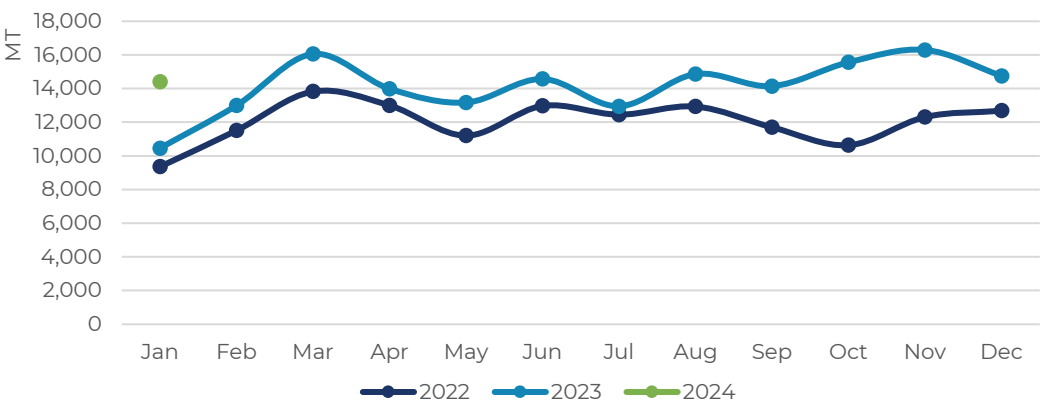


Mexico

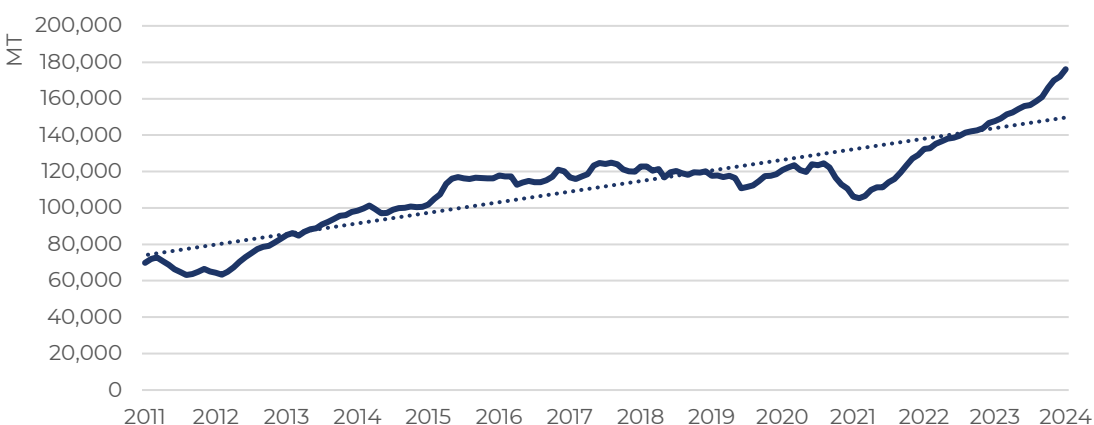
Global Cheese Trade to Mexico



Global Cheese Trade to Mexico

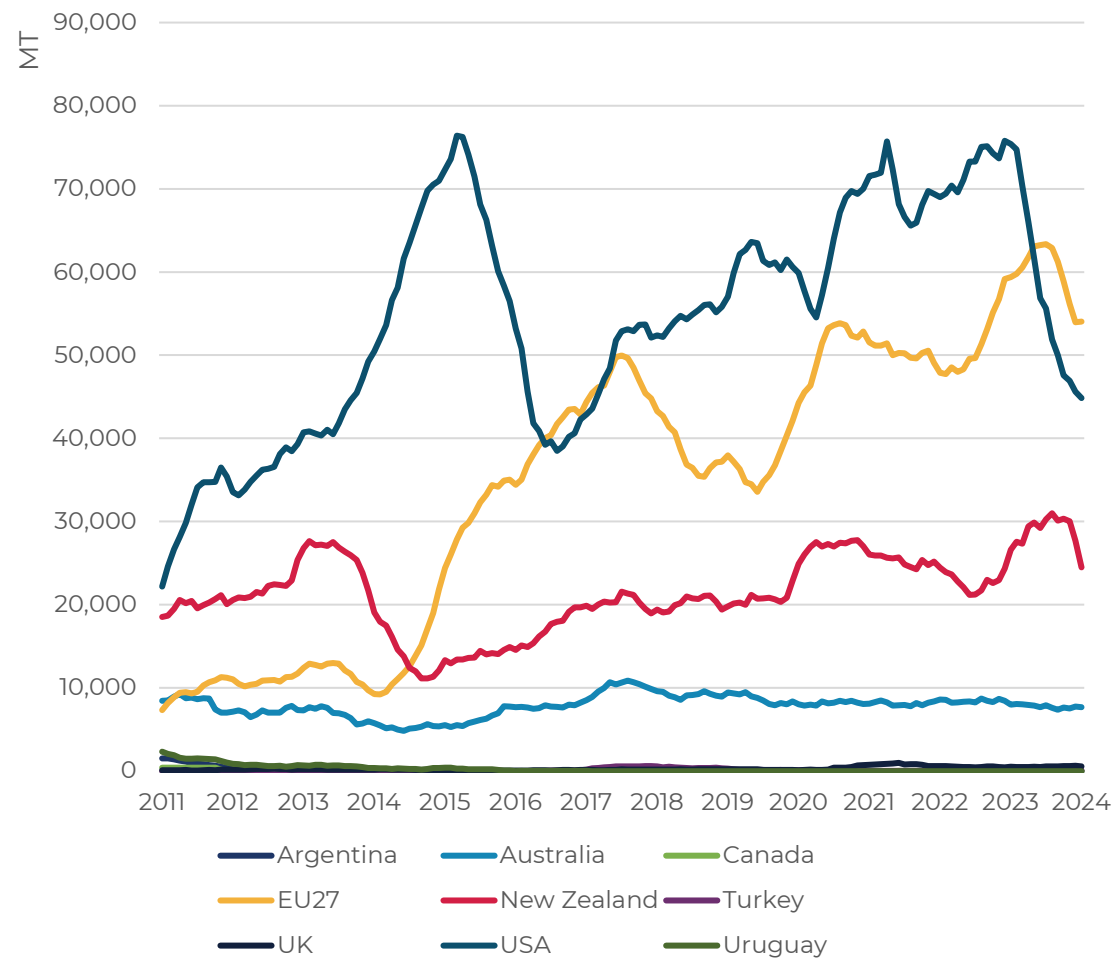


Global Cheese Trade to Mexico

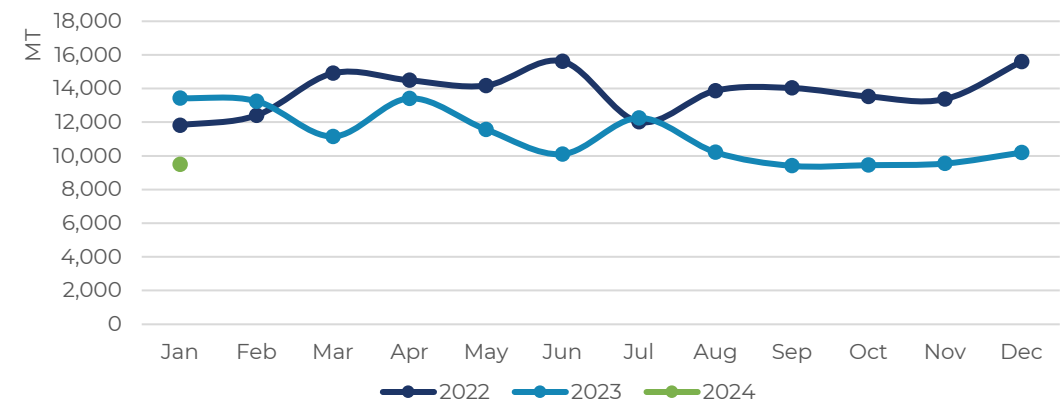


Korea

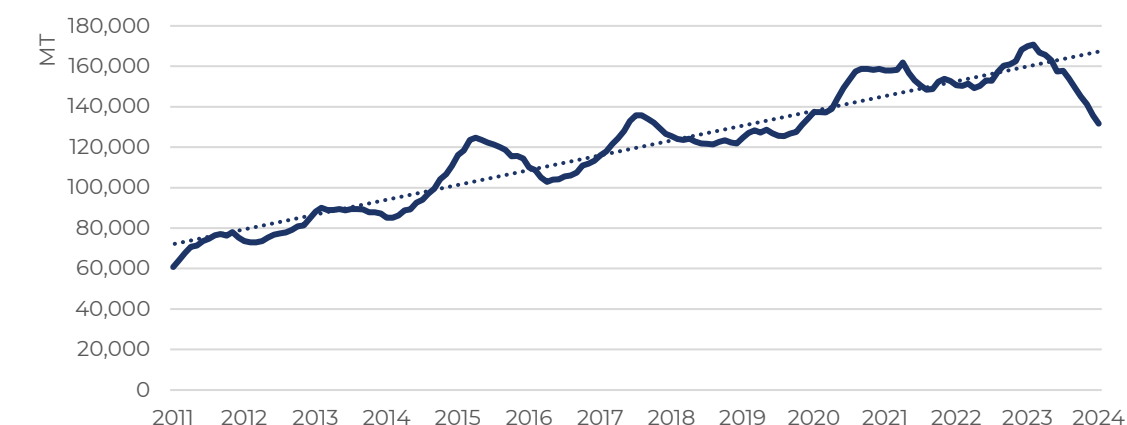
Global Cheese Trade to Korea



Global Cheese Trade to Korea

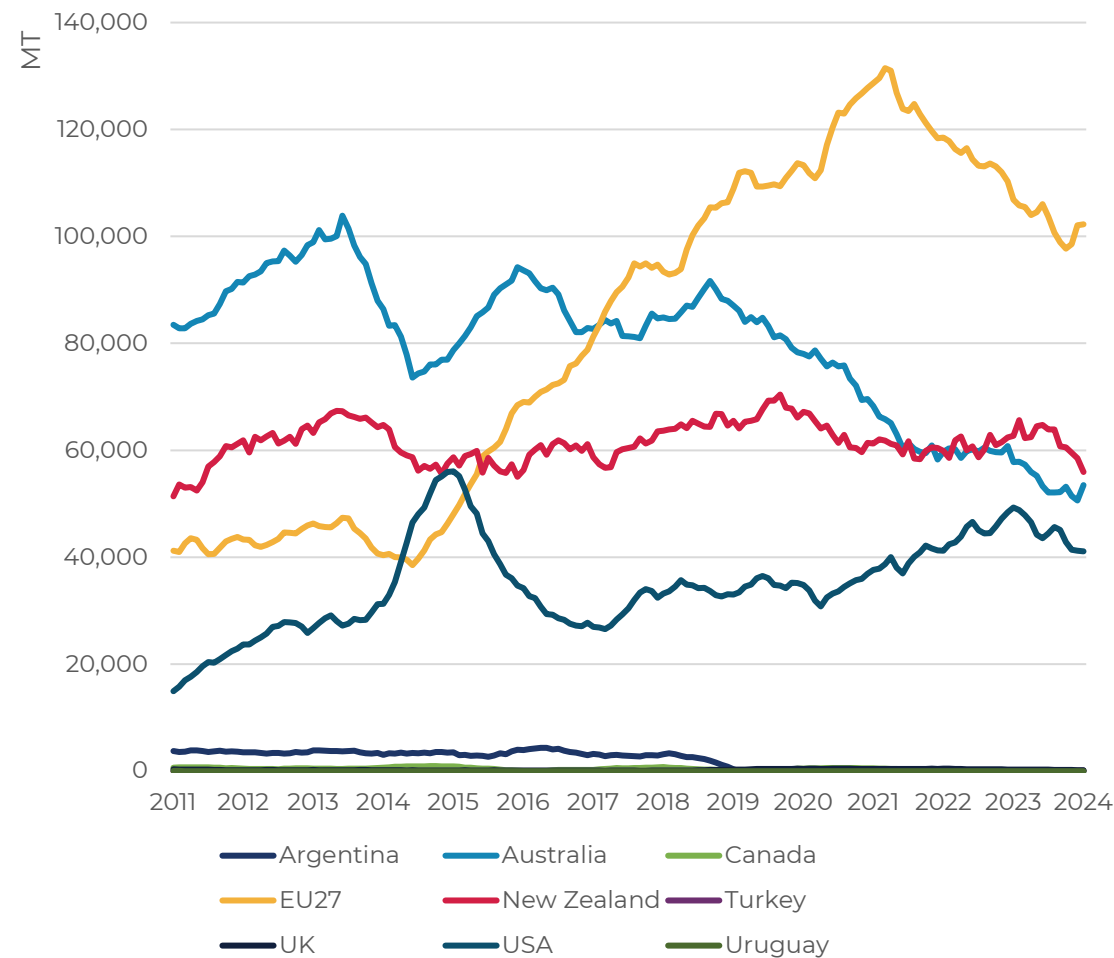


Global Cheese Trade to Korea

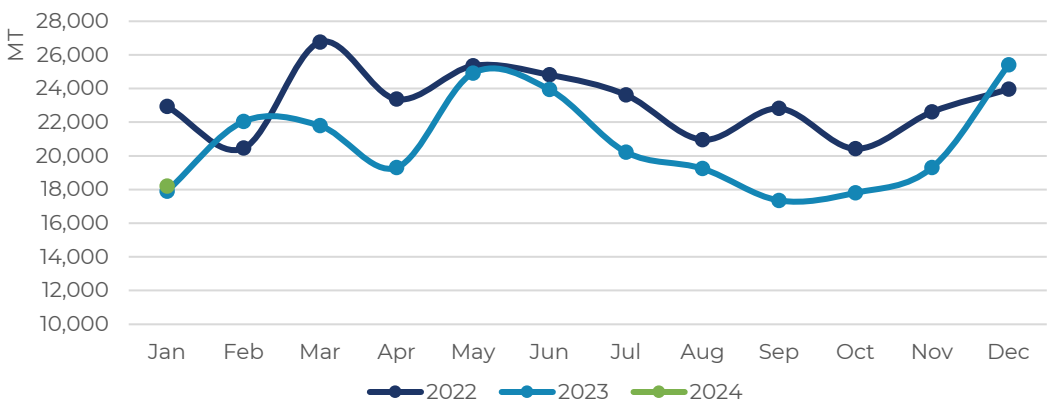


Japan

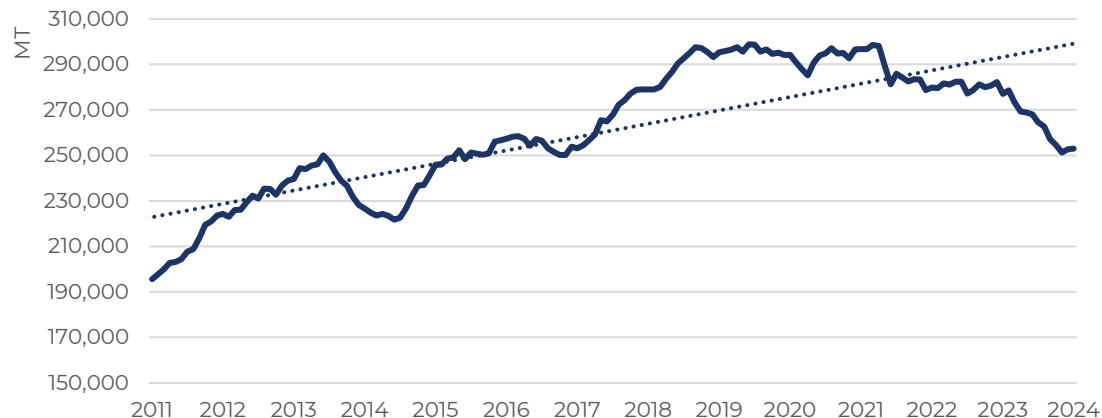
Global Cheese Trade to Japan



Global Cheese Trade to Japan

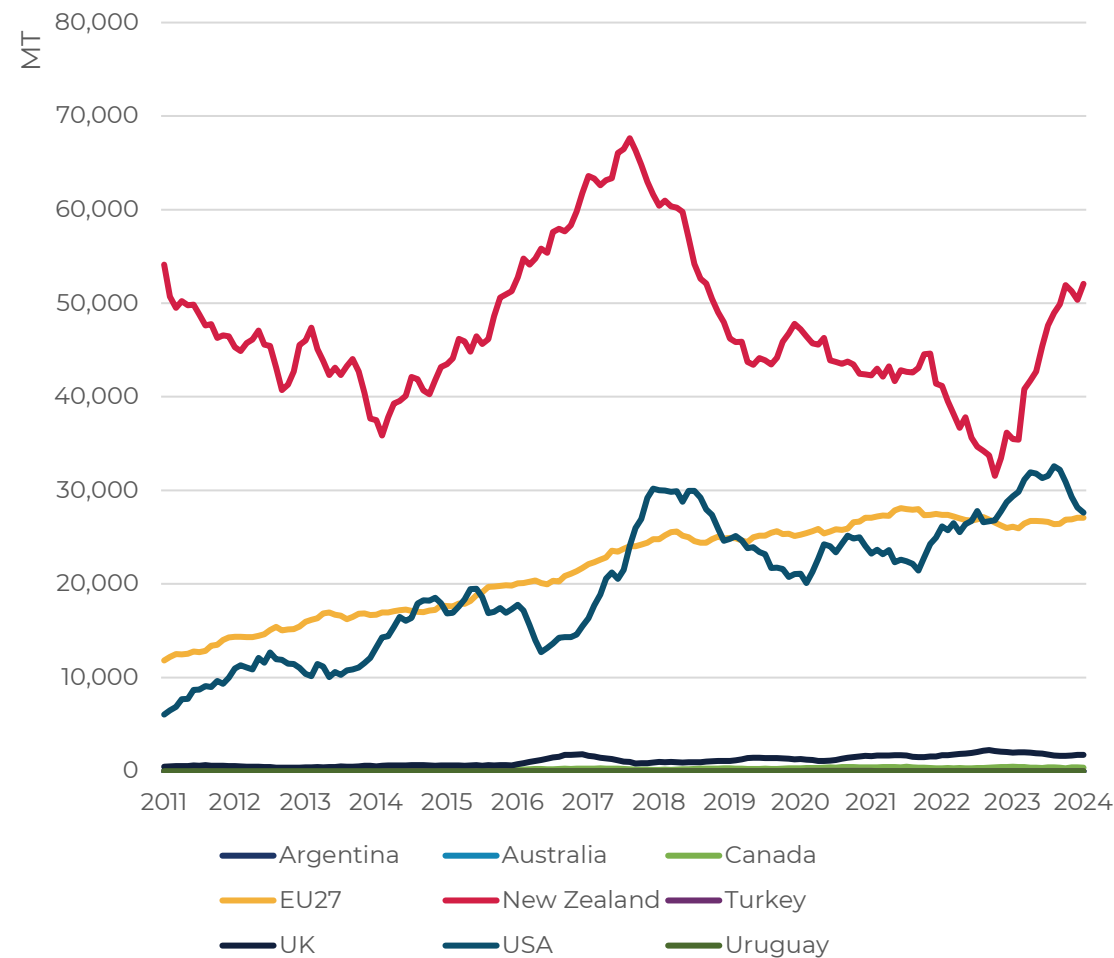


Global Cheese Trade to Japan

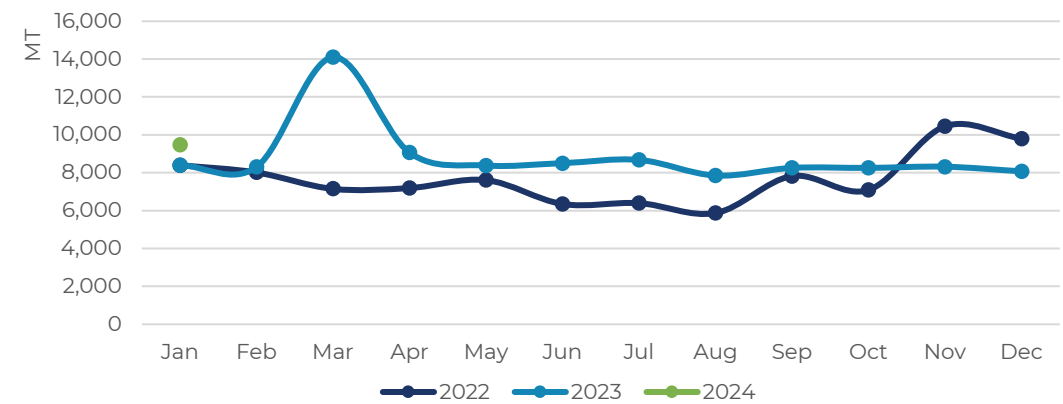


Australia

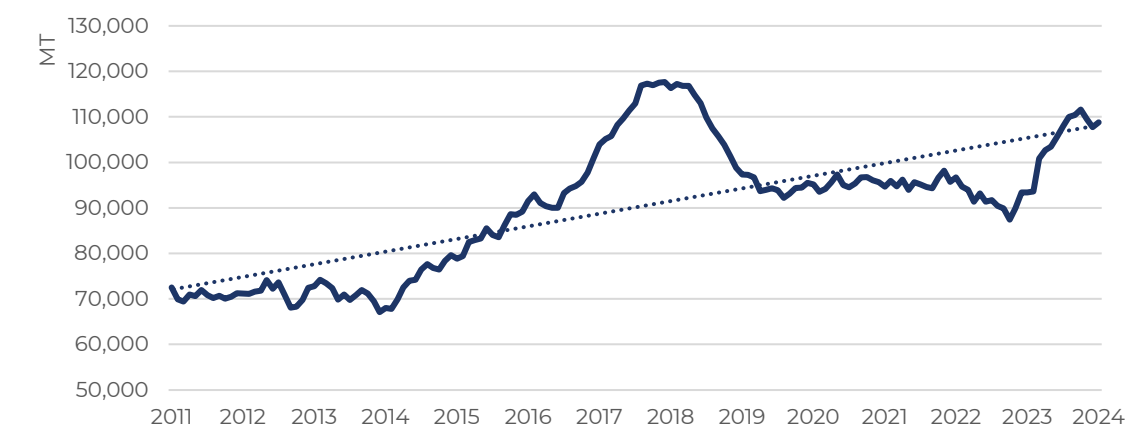
Global Cheese Trade to Australia



Global Cheese Trade to Australia

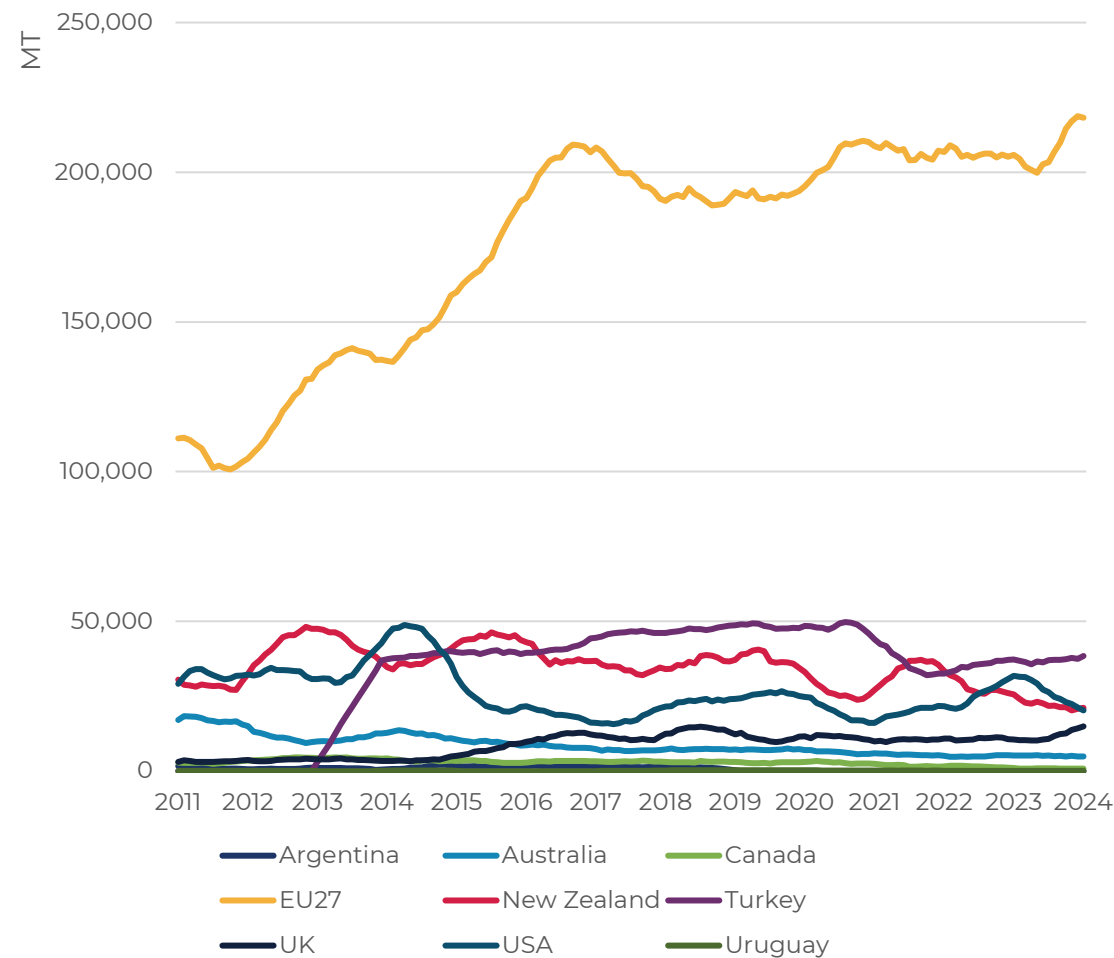


Global Cheese Trade to Australia

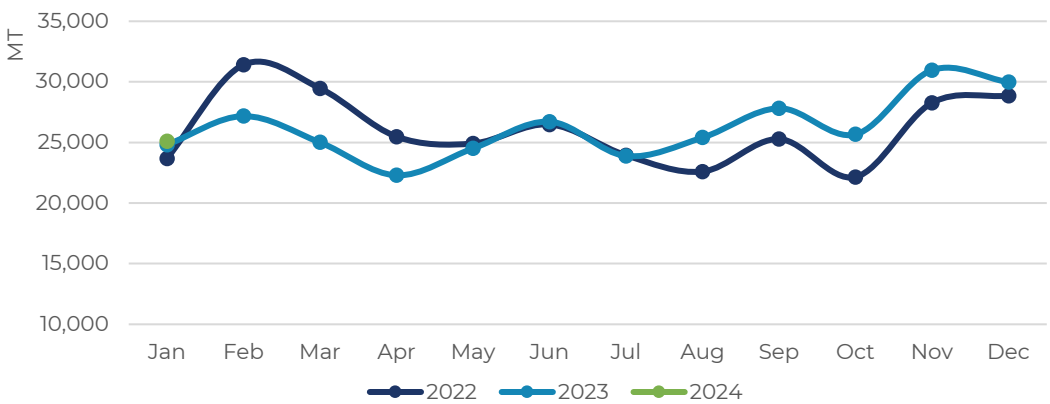


MENA

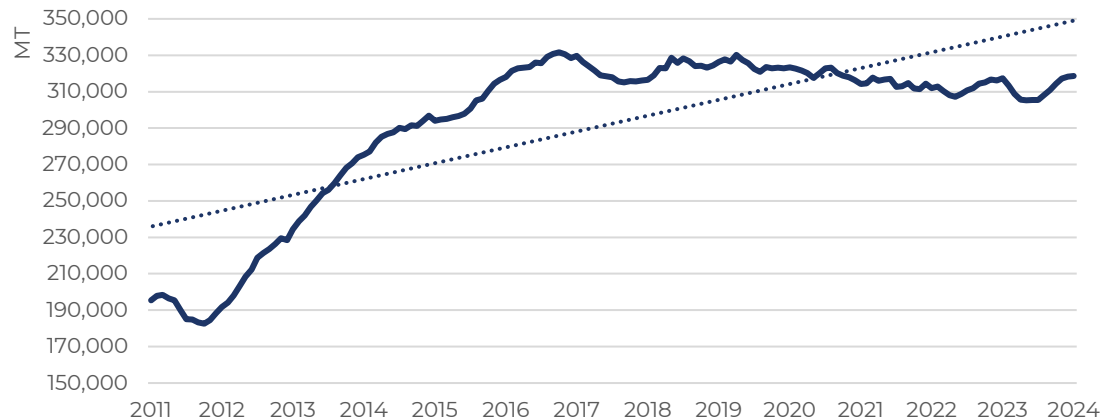
Global Cheese Trade to MENA



Global Cheese Trade to MENA

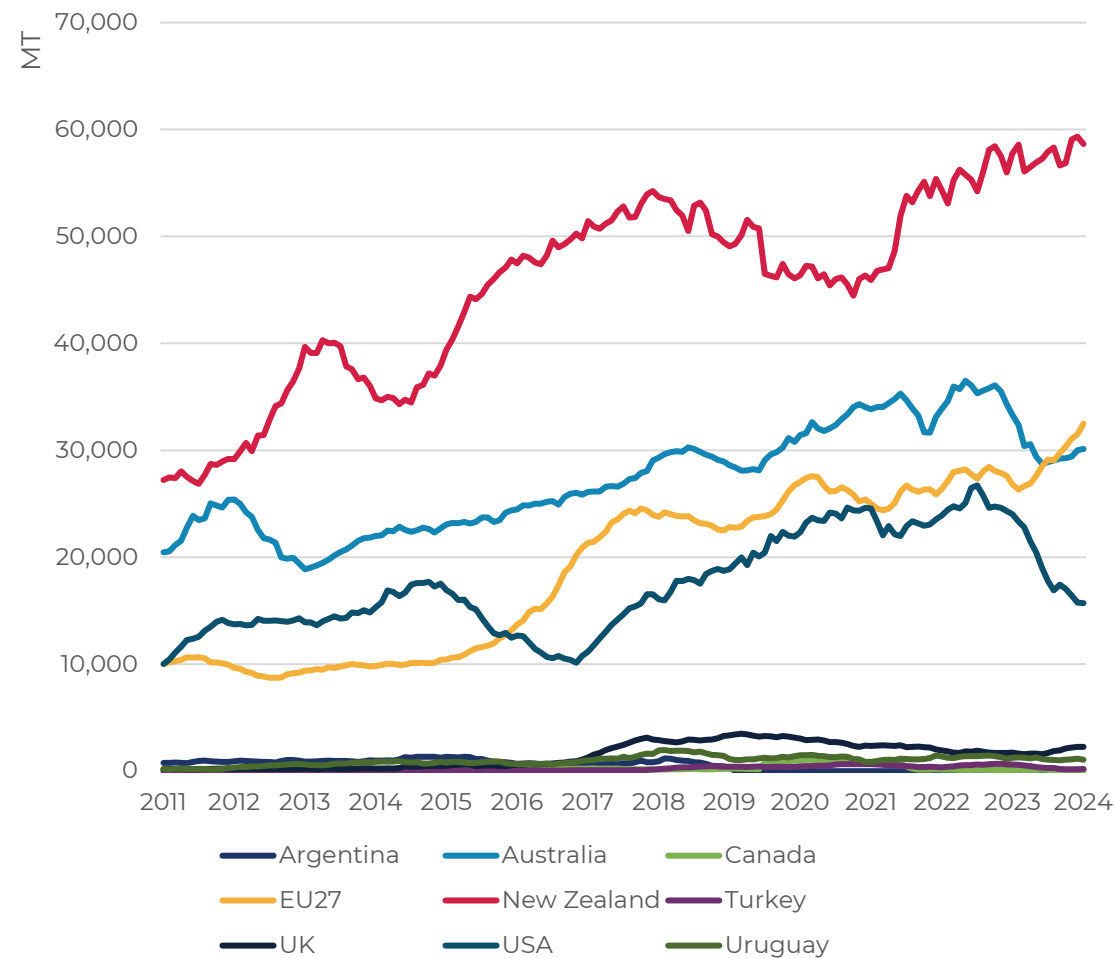


Global Cheese Trade to MENA

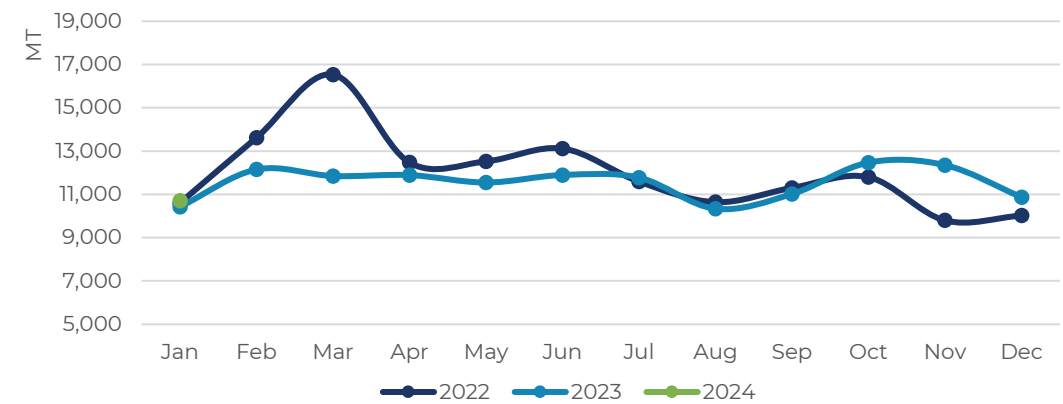


Southeast Asia

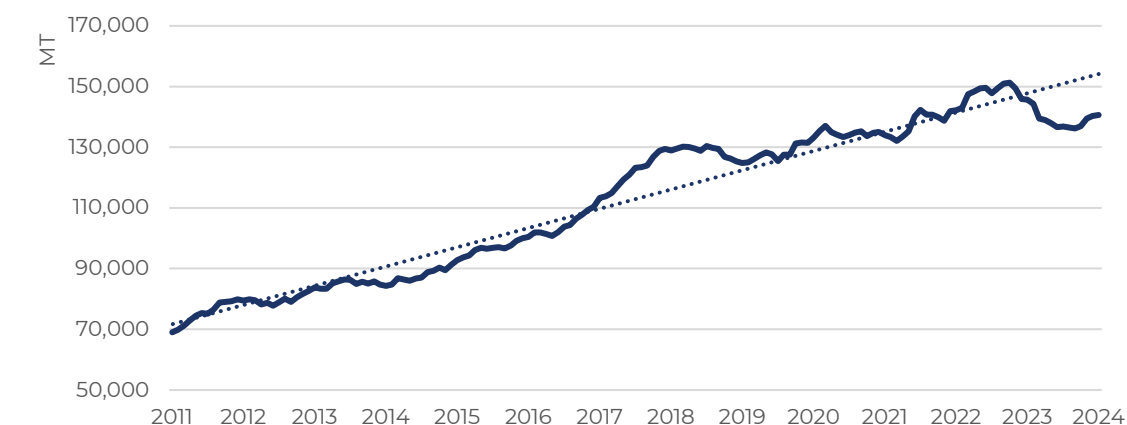
Global Cheese Trade to SEA



Global Cheese Trade to SEA

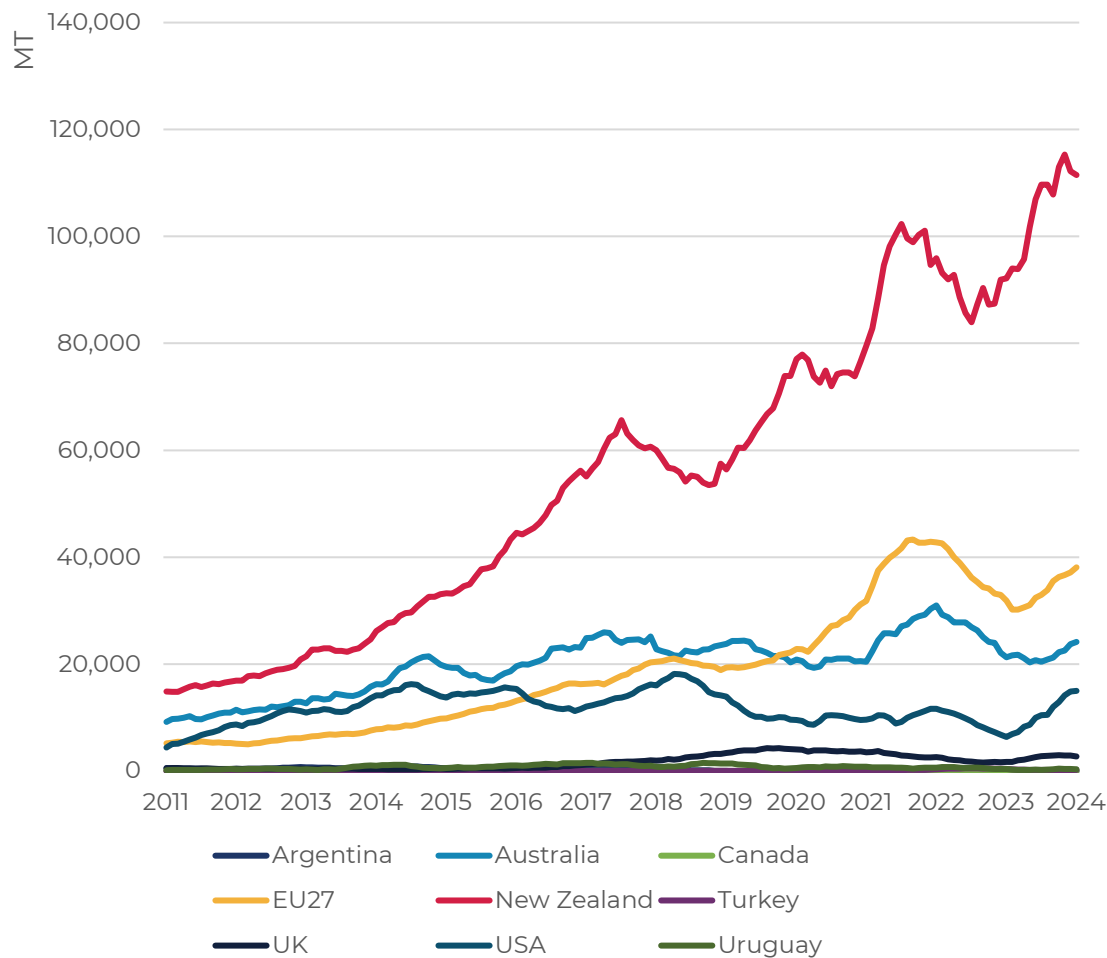


Global Cheese Trade to SEA

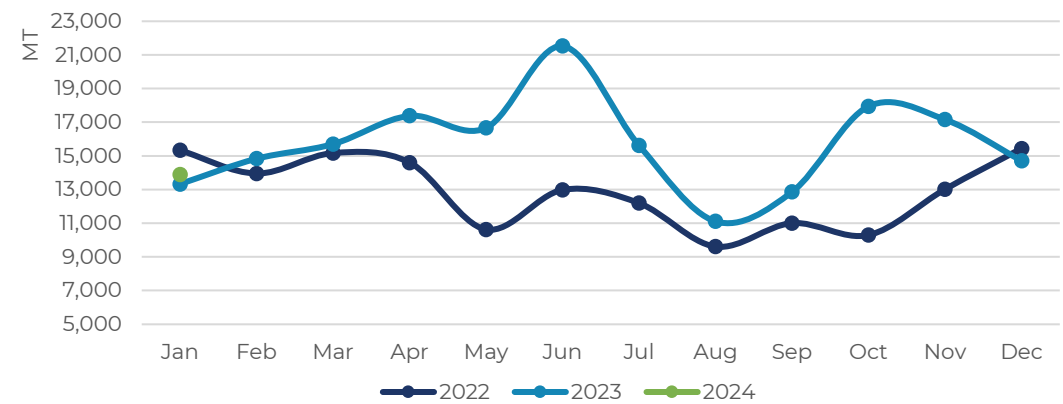


China

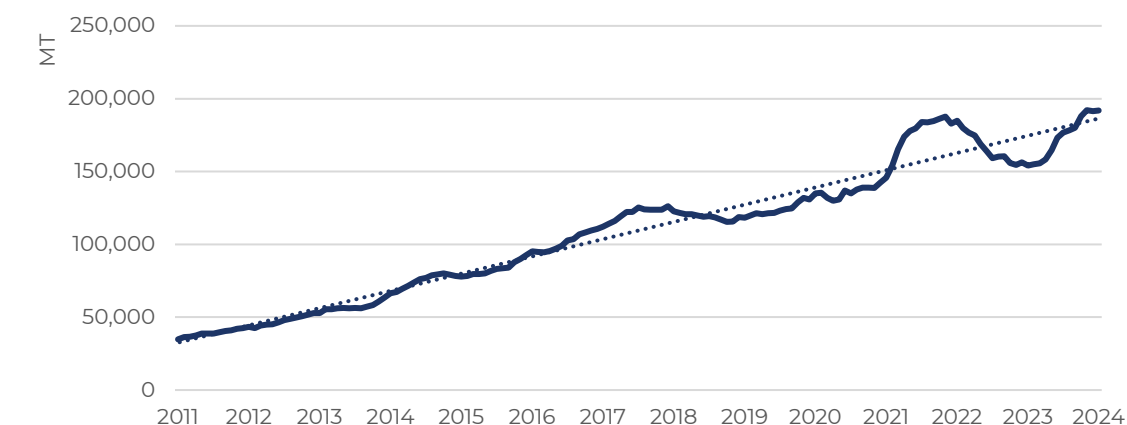
Global Cheese Trade to China+HK



Global Cheese Trade to China+HK



Global Cheese Trade to China+HK





NFDM/SMP

NFDM/SMP Market Commentary



KEY TAKEAWAYS

- **Global NFDM/SMP trade retreated slightly** (-2%, -4,679 MT) in January though that decline is being compared against strong 2023 figures.
- **New Zealand was the only major exporter to report robust growth of NFDM/SMP** (+21%, +10,307 MT) as better than expected milk production and more profitable stream returns pulled milk into butter/skim when possible. With limited milk production growth in the U.S. and Europe, milk powder exports started 2024 with an underwhelming January.
- On the demand side, we continue to see wide regional variation in performance. **China's sharp contraction in recent months remains the market's primary hinderance** (-26%, -10,191 MT in January; -28%, -59,697 MT since July). However, **China has also been joined by Mexico on the negative side of the ledger** with NFDM/SMP exports to the country declining by 23% in January (-8,325 MT) and 11% since September (-19,146 MT). Gratefully, **MENA remains exceptionally active, and SEA is now on the (long) road to recovery.**

Global
NFDM/SMP
Trade

-2.3%

January YoY

-2.3%

YTD, Ending January

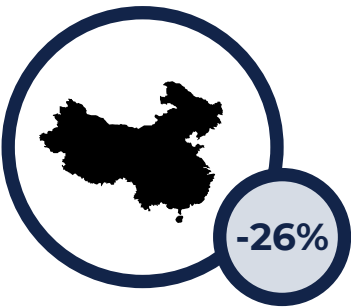
+2.1%

Last 12-Months,
Ending January

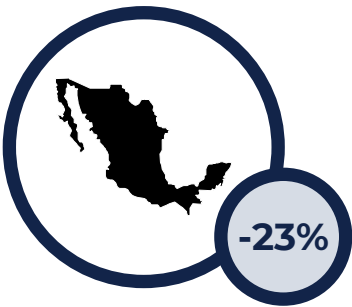
+0.4%

3-Year CAGR

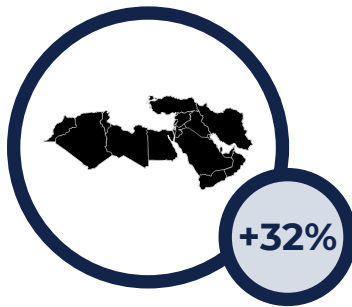
January Standout Markets



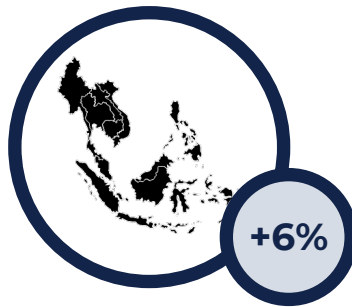
CHINA+HK
-10,191 MT



MEXICO
-8,325 MT



MENA
+10,699 MT



SOUTHEAST ASIA
+3,776 MT

ADDITIONAL NOTES

There is no singular cause behind China's import weakness on NFDM/SMP imports. Some of the country's regression is likely caused by importers rebalancing inventory after the jump in imports in late 2022-early 2023 (in anticipation of better consumption post-lockdown). However, when the forecasted consumption growth failed to materialize, manufacturers were left sitting on excess product. However, inventory dynamics are not the only factor. Infant formula demand in the country is depressed at the same time dairy drinks, yogurts and bakery sales are hampered by economic struggles. On top of this, with at least a couple of new SMP dryers built in China, the surge in domestic milk production is also increasing local SMP supplies (supported by the jump in lactose imports). These dynamics suggest a rapid turnaround in China's SMP imports is doubtful given current economic hurdles.

NFDM/SMP Market Commentary



LOOKING AHEAD

- Given the sluggishness in U.S. and European milk production as we near the Northern Hemisphere's spring flush, **NFDM/SMP trade is likely to continue to contract through the first half of the year**, especially considering how strong the first half of 2023 was.
- Given the issues surrounding Chinese demand, the world will need to look elsewhere for growth opportunities. Unfortunately, **we expect Mexico's milk powder imports to remain under pressure**. Expanding domestic milk production, limited NFDM inventories in the U.S., and attractive cheese prices are all contributing to weaker demand for NFDM in Mexico, especially for cheese fortification. While forecasted declines in China and Mexico will limit global growth potential, **Southeast Asia does appear poised to maintain its recent recovery**. Thus, **MENA is likely to be the swing region for 2024**. Trade to the region has surged over the past two years and is well above trend with multiple countries expanding across the region. Whether this import improvement is driven by real consumption or an inventory build-up will play a critical role in determining global NFDM/SMP trade in 2024.

U.S. NFDM/SMP Exports

-14.0%

January YoY

-14.0%

YTD, Ending January

-5.0%

Last 12-Months,
Ending January

-1.7%

3-Year CAGR

EU NFDM/SMP Exports

-7.3%

January YoY

-7.3%

YTD, Ending January

+8.2%

Last 12-Months,
Ending January

+2.7%

3-Year CAGR

NZ NFDM/SMP Exports

+20.7%

January YoY

+20.7%

YTD, Ending January

+22.8%

Last 12-Months,
Ending January

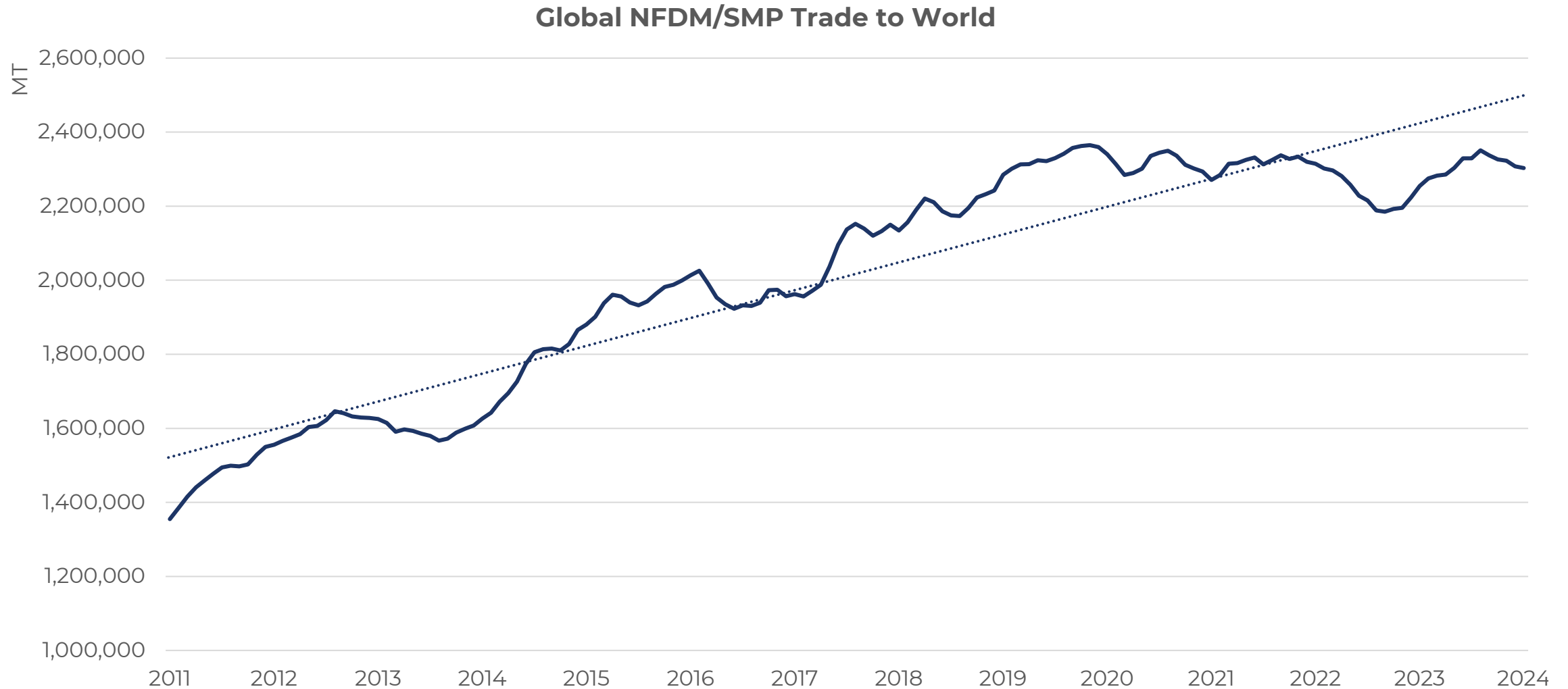
+7.1%

3-Year CAGR

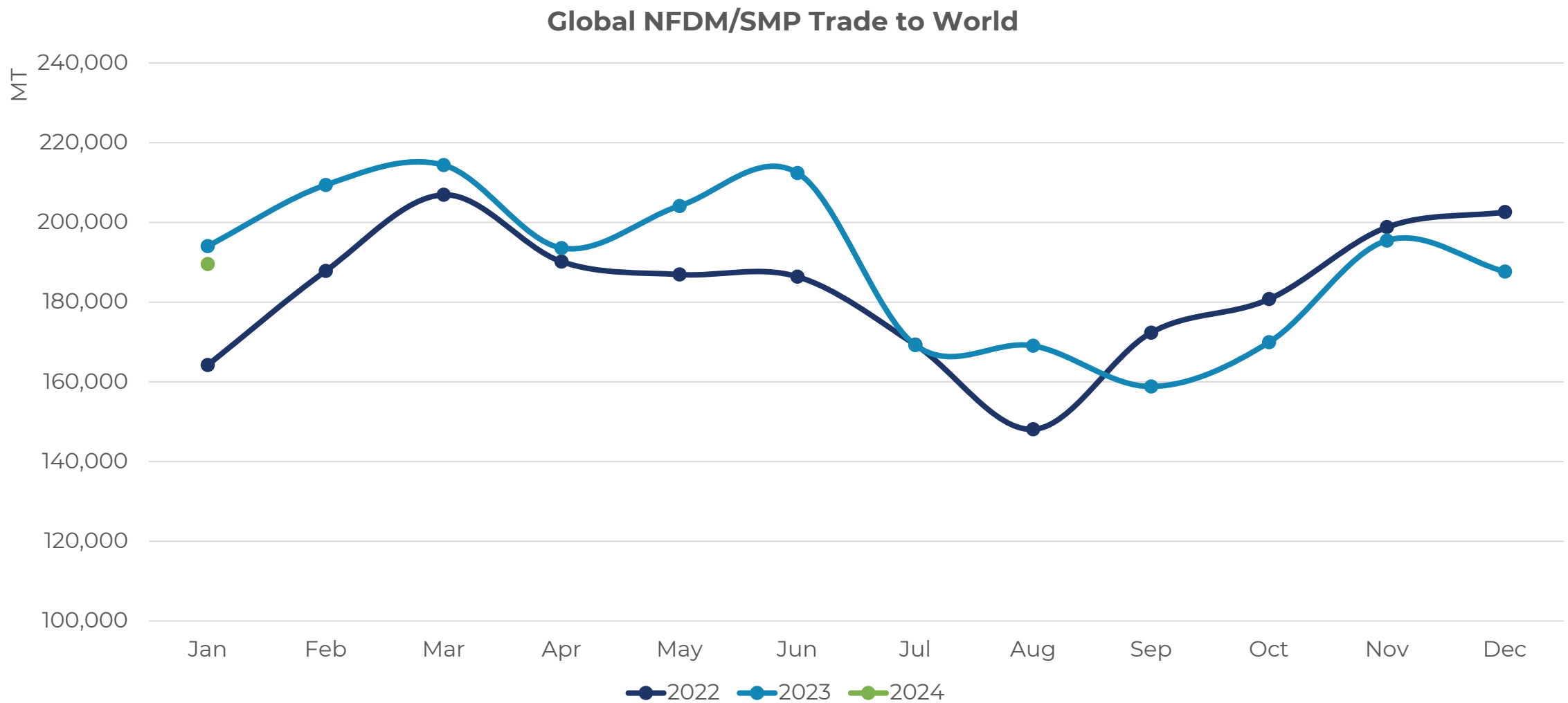
ADDITIONAL NOTES

Adjacent to NFDM/SMP markets, FFMP/blends trade has struggled over the last two years, dampening SMP prices on account of weaker demand from blenders in SEA and MENA as well as increasing the supply of SMP in Europe. Elevated palm oil prices and high inflation being particularly pernicious to low-income consumers are almost certainly causing FFMP's struggles. FFMP/blends trade to MENA has fallen 15% from its 2021 peak (-54,933 MT) and SEA lags their 2021 record by 20% (-24,399 MT). Perhaps most importantly, the largest blends market, Sub-Saharan Africa has declined by more than 100,000 MT since its 2020 peak on an annualized basis (-19%, -107,079 MT). Even if you assume a very low protein content for the blends code (15%), the loss in FFMP demand from those three markets is equivalent to a ~50,000 MT loss in SMP demand from the market's pre-inflation height.

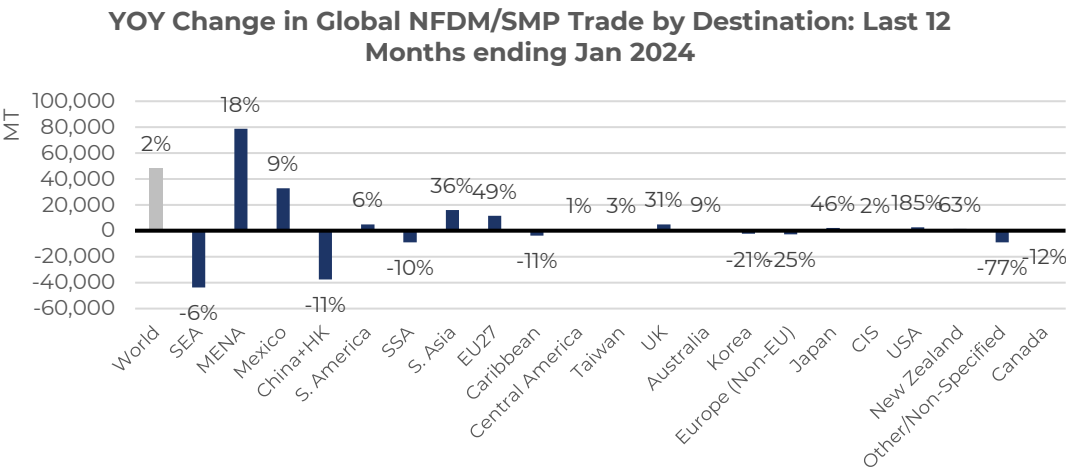
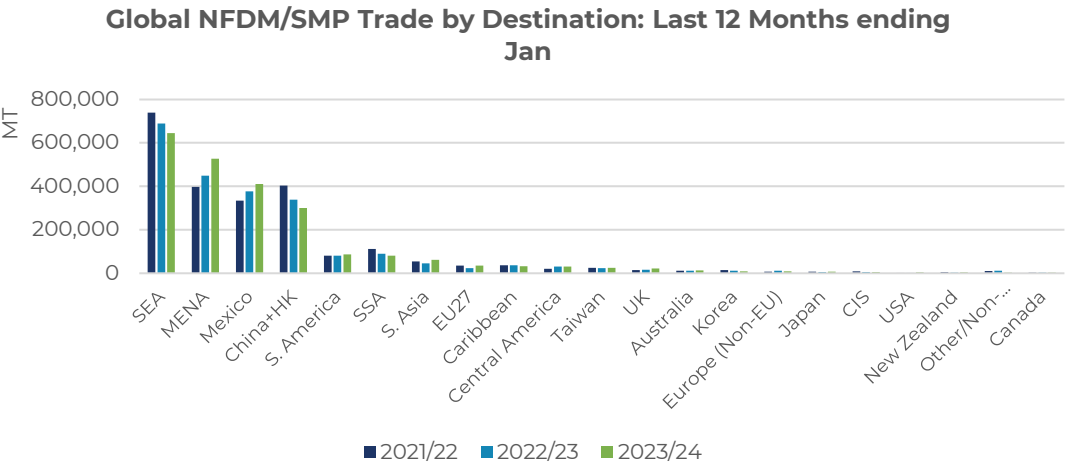
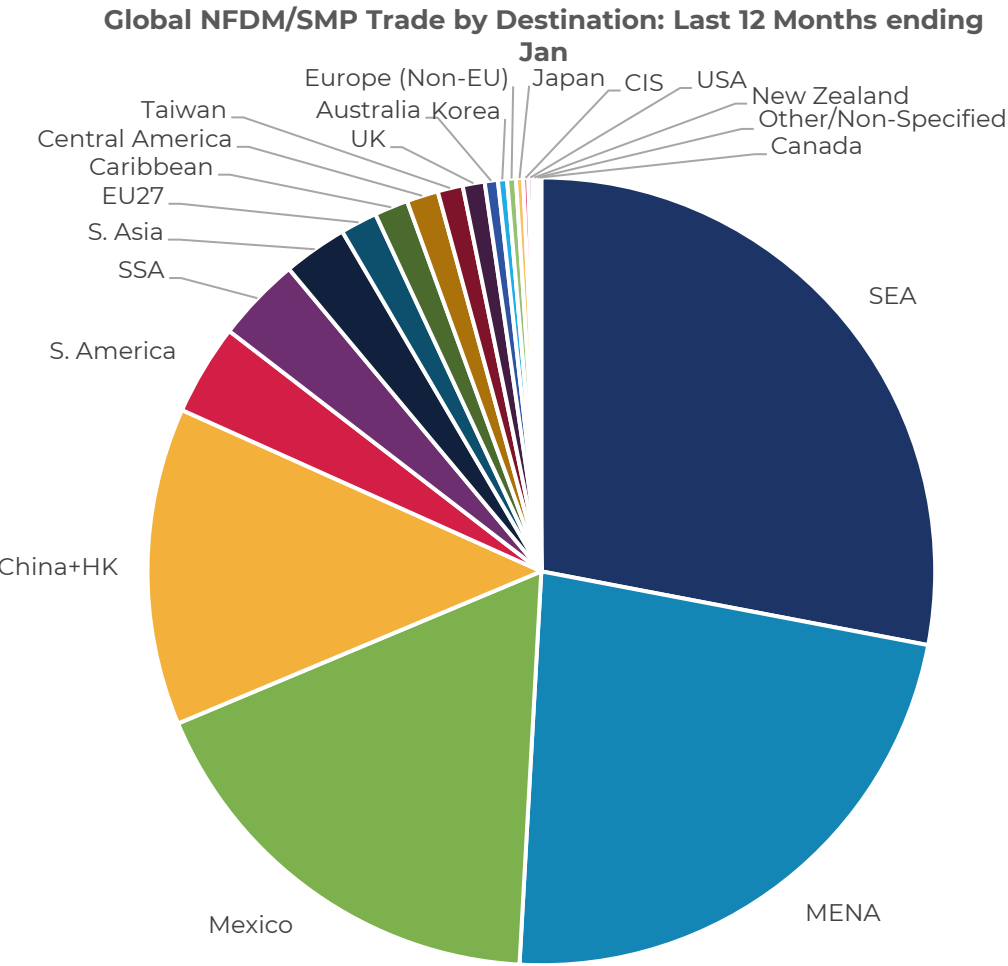
Global Overview: NFDM/SMP



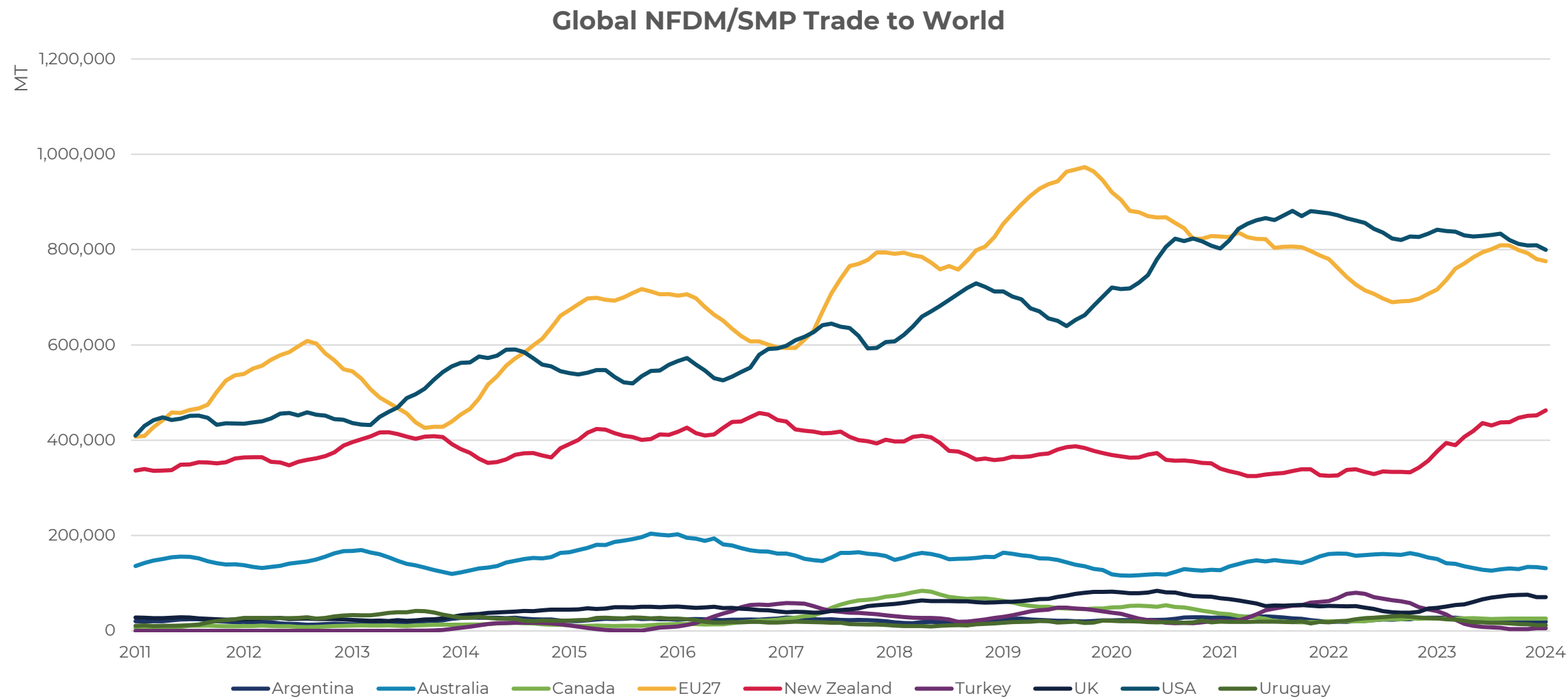
Global Overview: NFDM/SMP



Global Overview: NFDM/SMP – Last 12 Months

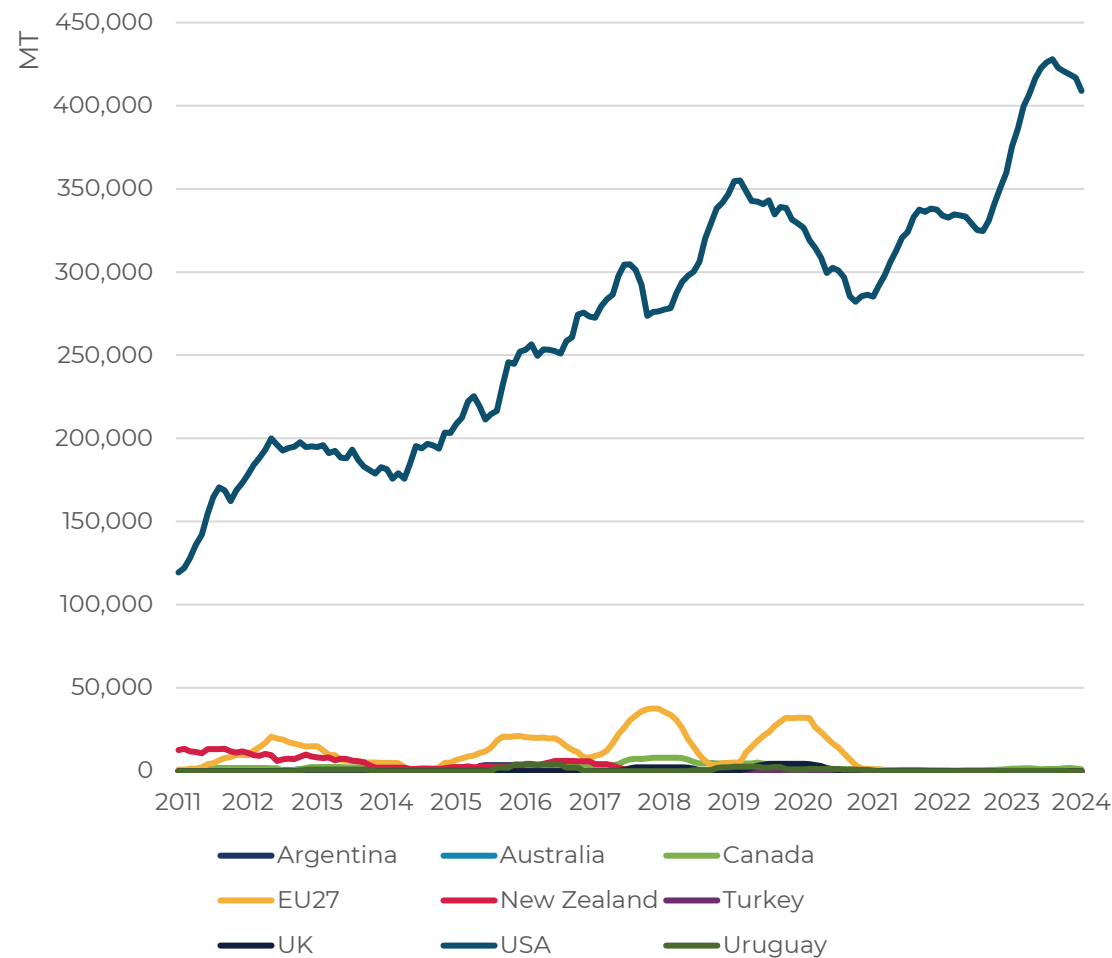


Trade Flows: NFDMSMP

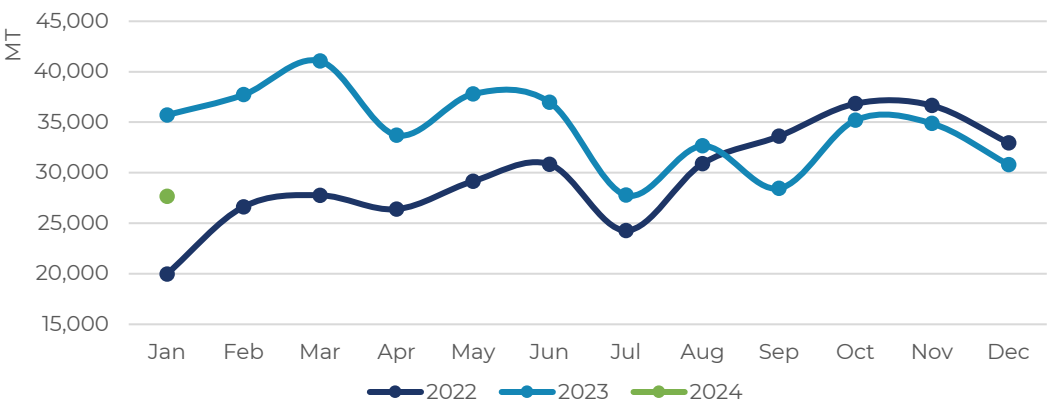


Mexico

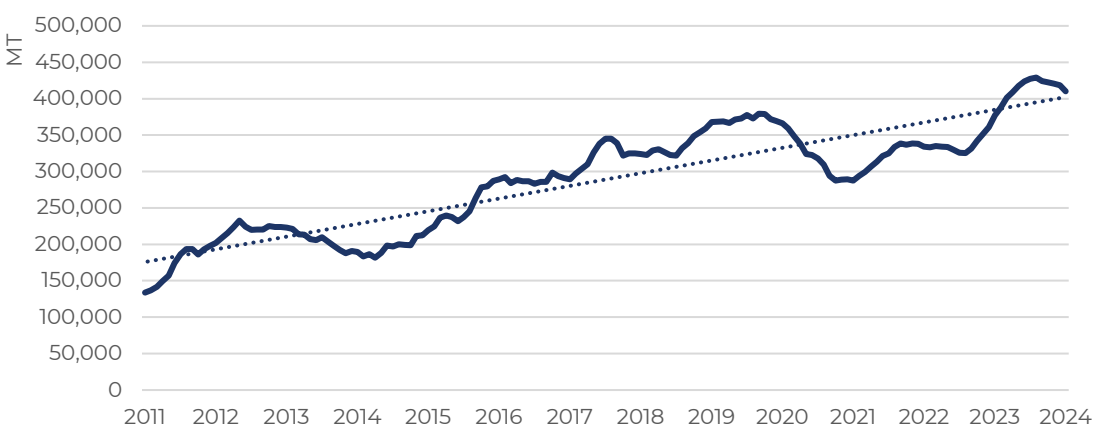
Global NFDM/SMP Trade to Mexico



Global NFDM/SMP Trade to Mexico

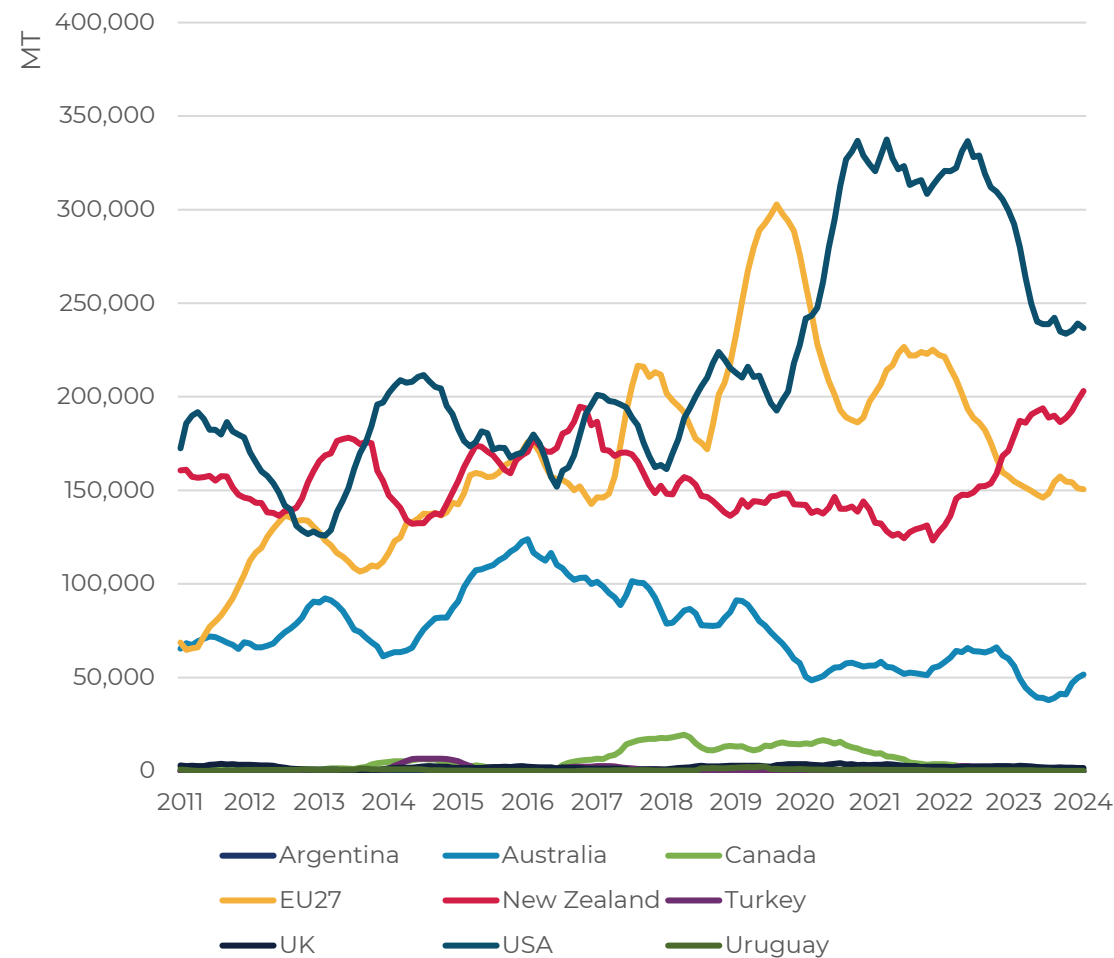


Global NFDM/SMP Trade to Mexico

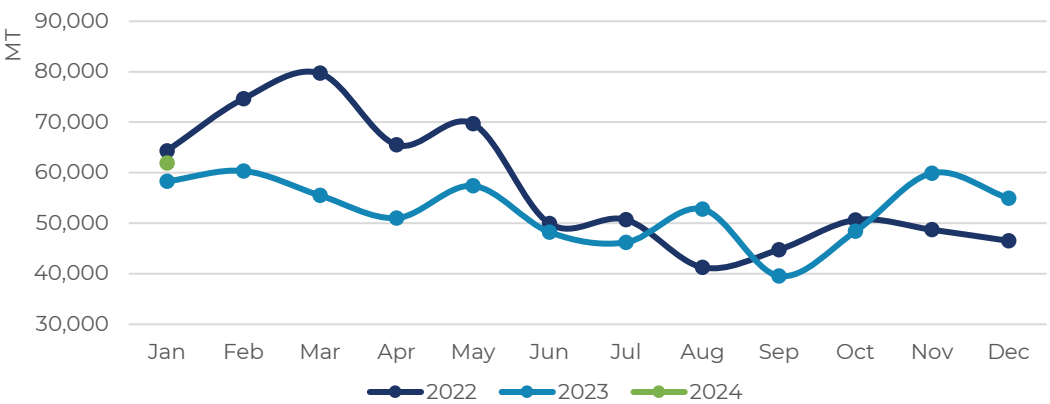


Southeast Asia

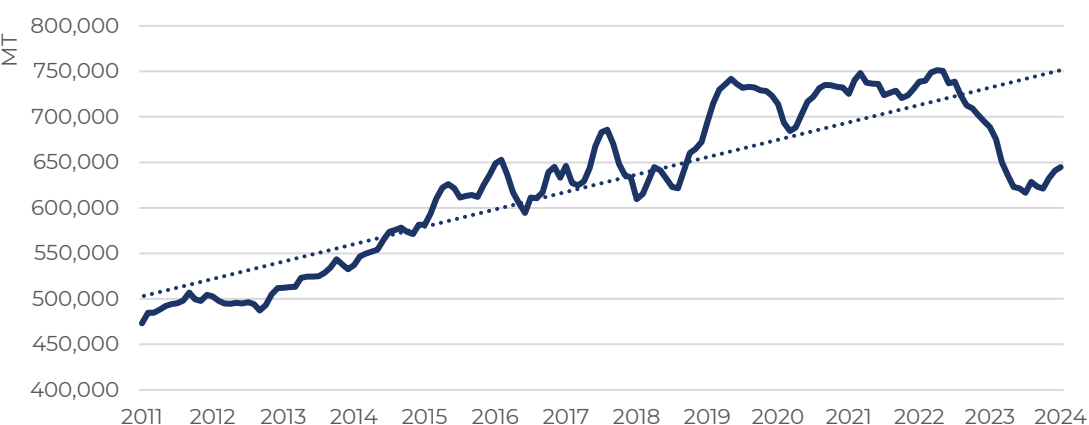
Global NFDMSMP Trade to SEA



Global NFDMSMP Trade to SEA

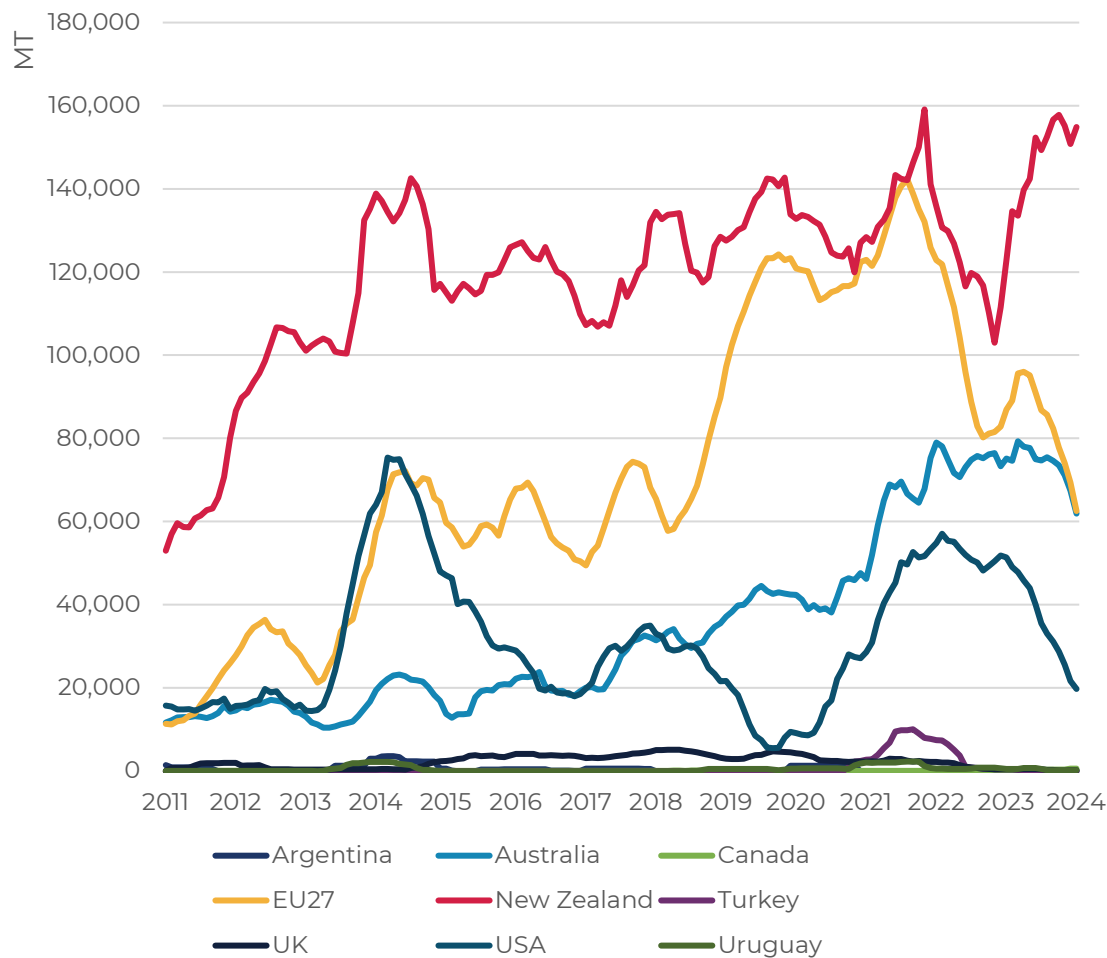


Global NFDMSMP Trade to SEA

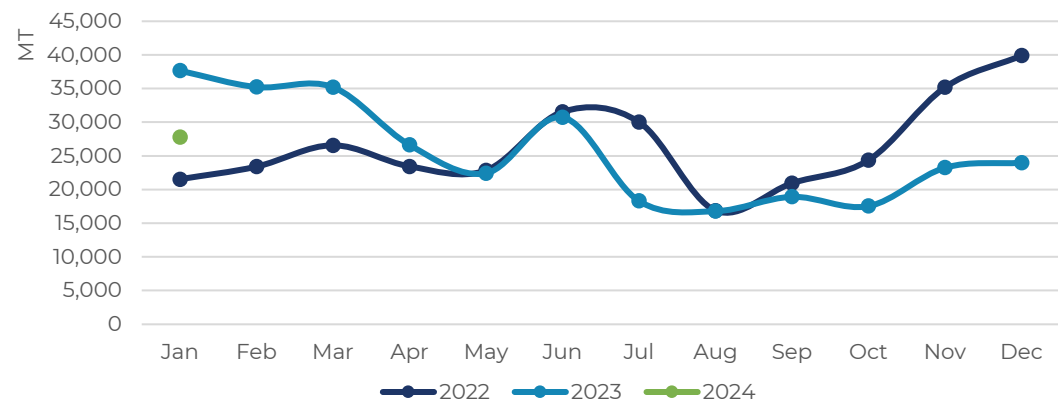


China

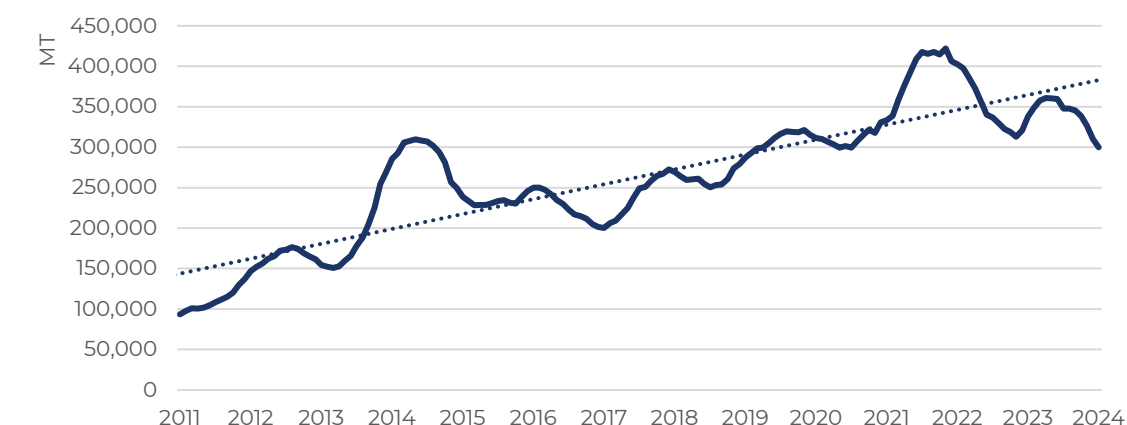
Global NFDMSMP Trade to China+HK



Global NFDMSMP Trade to China+HK

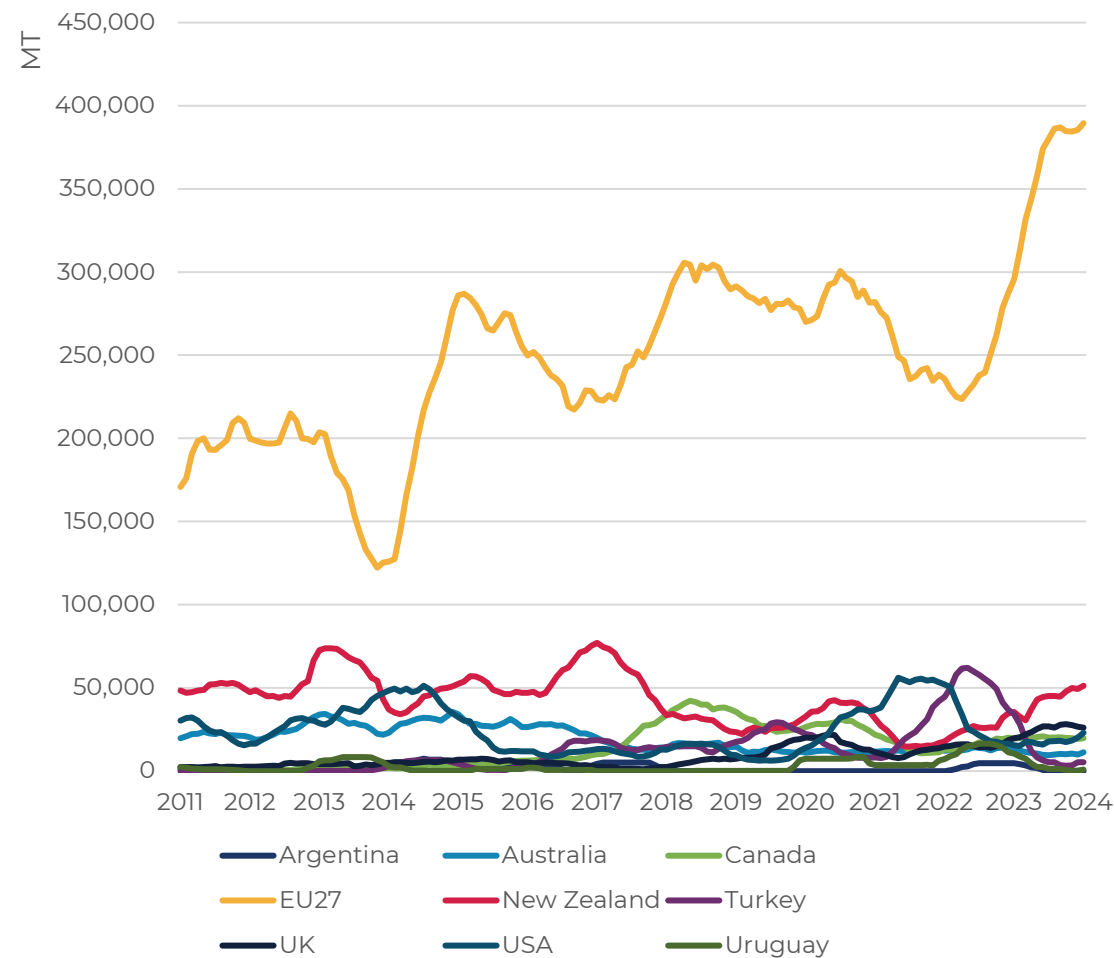


Global NFDMSMP Trade to China+HK

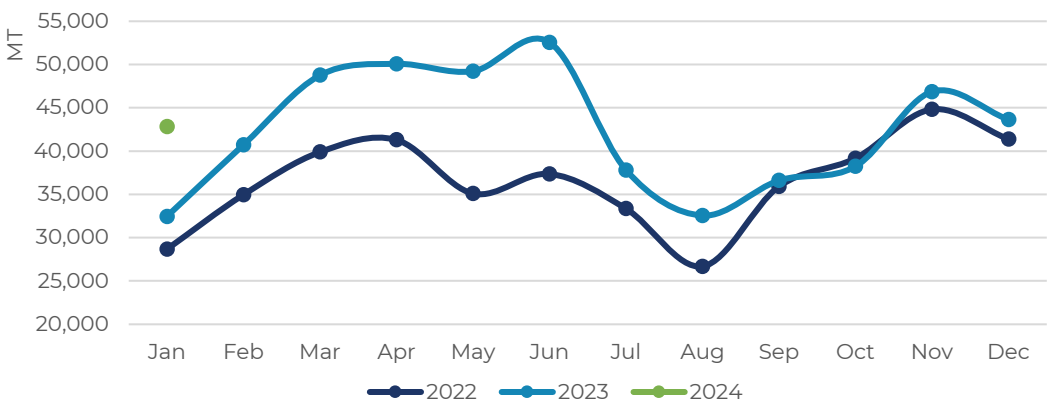


MENA

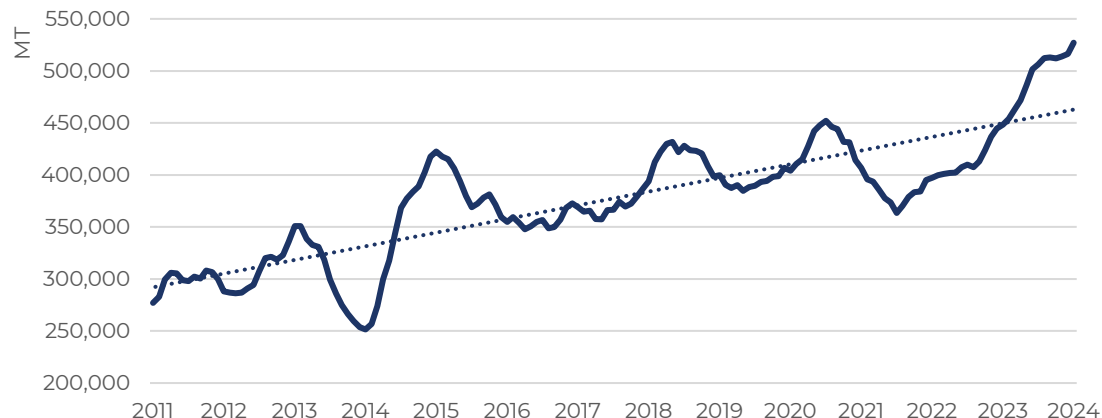
Global NFDM/SMP Trade to MENA



Global NFDM/SMP Trade to MENA



Global NFDM/SMP Trade to MENA



Whey Products (0404.10)

Whey Products (0404.10) Market Commentary



KEY TAKEAWAYS

- Last month's **modest increase in low protein whey trade extended into the new year** as trade in the category (0404.10) in January eked out an increase of 1% (+1,241 MT) year over year.
- Once again, dramatically **lower demand in China was offset by a more promising uptick in volumes to other destinations**. Low protein whey exports to China+HK sank 21% (-8,025 MT) in January, falling well below prior year volumes for the tenth month in a row. Volumes were also down to South America (-28%, -1,280 MT) due to slower demand from Brazil (-39%, -998 MT), Chile (-61%, -338 MT), and Peru (-45%, 239 MT).
- On a more positive note, **gains were spread across a variety of destinations**. In absolute terms, Southeast Asia saw the biggest increase in low protein whey trade with volumes up by 2,630 MT (+8%). Not to be discounted, however, Japan, MENA, Mexico, and the EU all increased their imports of whey products by at least 1,000 MT in January relative to prior year.

Global
Whey
(0404.10)
Trade

+1.1%

January YoY

+1.1%

YTD, Ending January

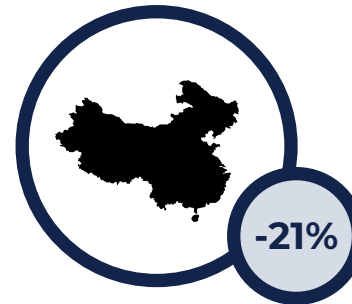
-6.5%

Last 12-Months,
Ending January

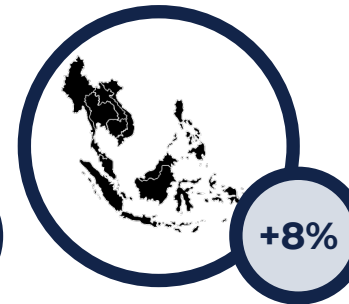
-1.8%

3-Year CAGR

January Standout Markets



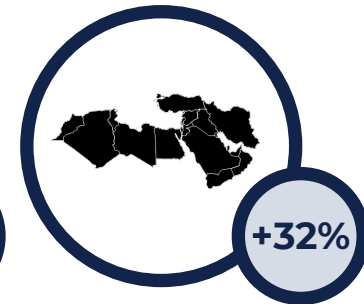
CHINA+HK
-8,025 MT



SOUTHEAST ASIA
+2,630 MT



JAPAN
+1,811 MT



MENA
+1,694 MT

ADDITIONAL NOTES

Slower demand from the Chinese hog sector is one of the key factors that has depressed demand for low protein whey products over the past year. As hog prices fell and margins collapsed, Chinese pork producers have whittled down their herds, thus reducing demand for permeate and sweet whey, which are commonly used in piglet rations. At the end of January, the Chinese sow herd totaled 40.7 million head, with further plans to reduce the herd to 39 million. While ultimately this should help to firm up prices and restore the industry's profitability, it suggests that Chinese demand for low protein whey will remain muted in the coming months.

Whey Products (0404.10) Market Commentary



LOOKING AHEAD

- With China unlikely to return to the market in a meaningful way, growth in **low protein whey trade this year will hinge on expanding demand in alternative markets.** Improving economic conditions, including subsiding inflation, could help to prop up demand among emerging buyers where whey is primarily used in food applications, namely in SEA and MENA.
- **Mexican low protein whey demand is likely to depend on the country's broader economic performance.** Ultimately, it will be difficult to match the rhythm seen in 2023, especially given that much of the growth was driven by favorable prices. Still, the exchange rate remains favorable and early indicators suggest the year is off to a promising start in Mexico, which could support whey continuing to move south of the border.
- **Average whey prices have ticked modestly upward in recent weeks,** though they remain low by historical standards. An emphasis on cheese production in both the US and Europe should ensure the availability of a plentiful whey stream this year. However, the extent to which liquid whey is routed to either low protein or high protein products is likely to have a fundamental impact on prices and thus the competitiveness of low protein whey products in the global market.

U.S. Whey (0404.10) Exports

-4.7%

January YoY

-4.7%

YTD, Ending January

-21.0%

Last 12-Months,
Ending January

-7.6%

3-Year CAGR

EU Whey (0404.10) Exports

-2.6%

January YoY

-2.6%

YTD, Ending January

+4.1%

Last 12-Months,
Ending January

+1.4%

3-Year CAGR

NZ Whey (0404.10) Exports

+39.5%

January YoY

+39.5%

YTD, Ending January

+14.4%

Last 12-Months,
Ending January

+4.6%

3-Year CAGR

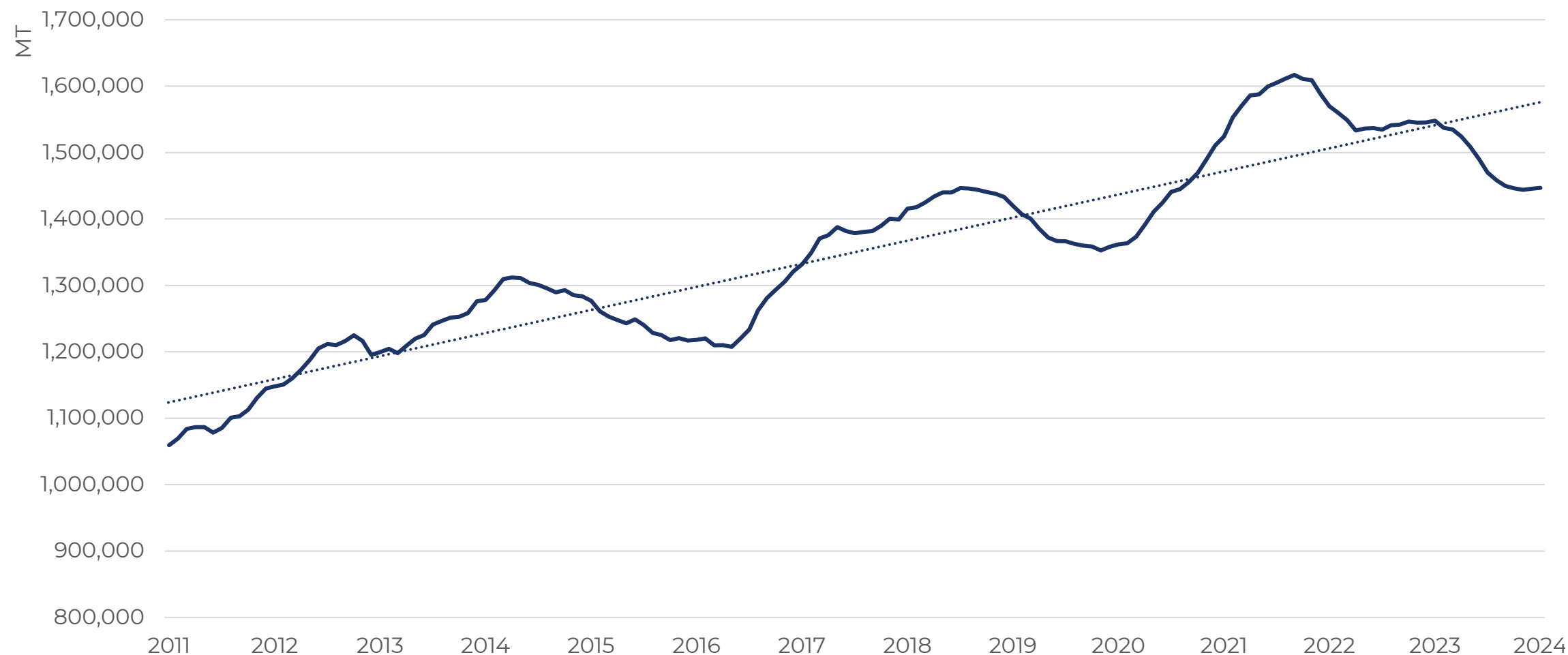
ADDITIONAL NOTES

As overall trade of low whey protein products grew in January, both of the world's largest suppliers ceded share to less conventional sources.

Shipments from the US fell by 5% (-1,865 MT) while the EU saw volumes slip by 3% (-1,389 MT). Australia also saw exports fall by 1,065 MT amounting to a heftier year-over-year loss of 34%. On the other hand, Turkey gained ground as January shipments rose nearly 4.5 times (+336%, +3,561 MT) compared to particularly weak performance last year. Coincidentally, exports from both the UK and New Zealand rose by 39% year over year adding 1,346 MT and 795 MT, respectively to the global total.

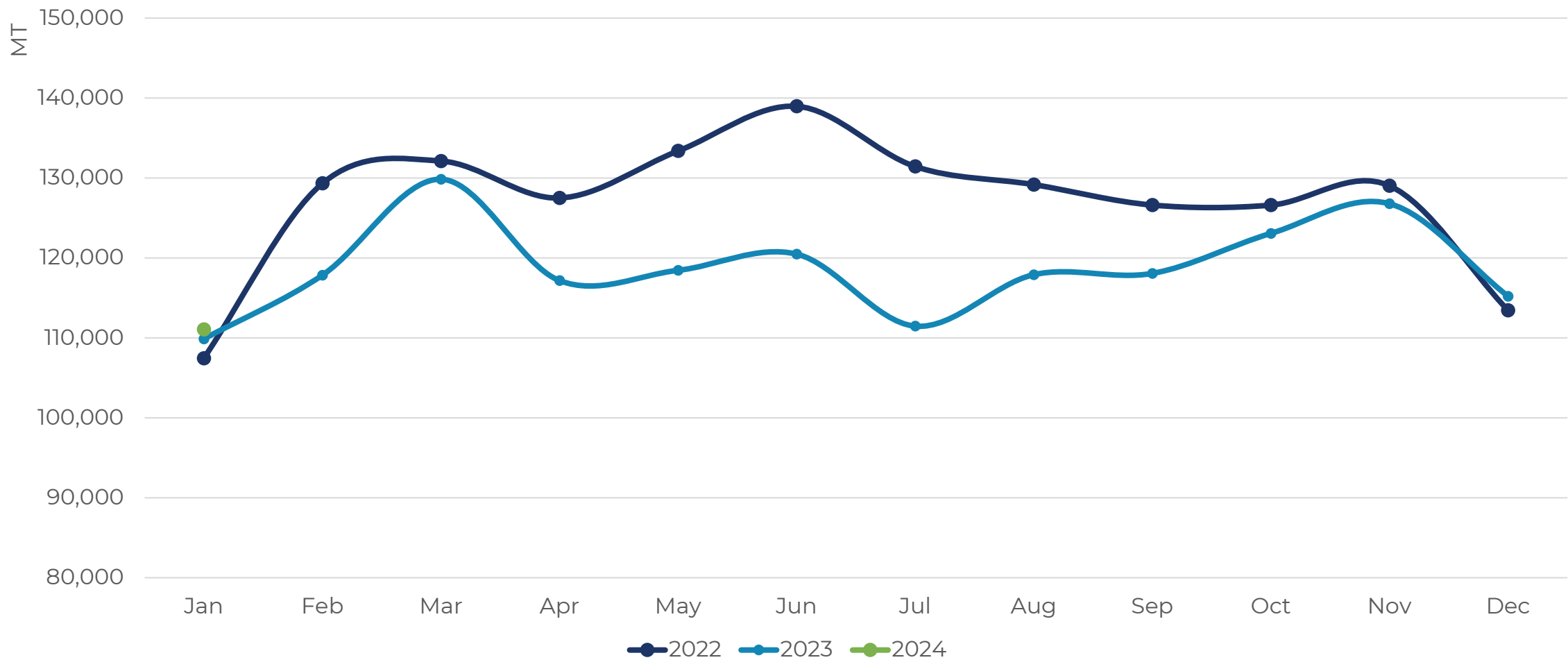
Global Overview: Whey (0404.10)

Global Whey (0404.10) Trade to World



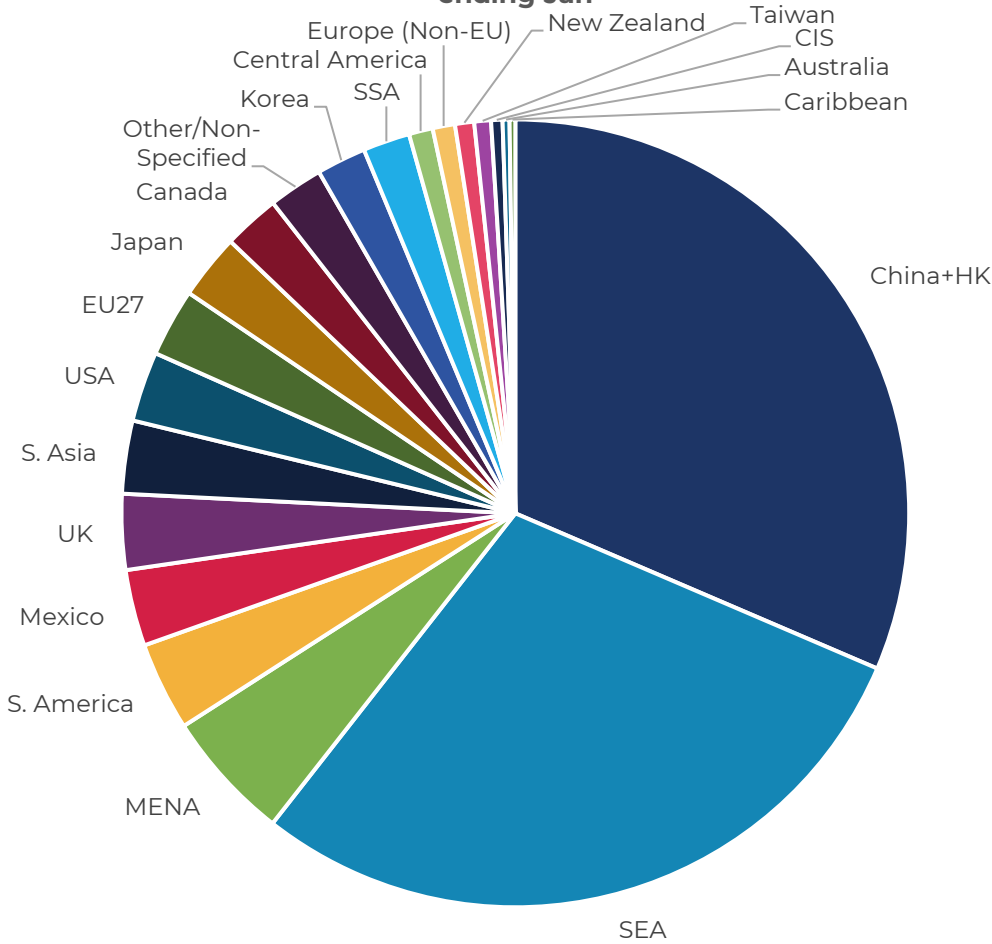
Global Overview: Whey (0404.10)

Global Whey (0404.10) Trade to World

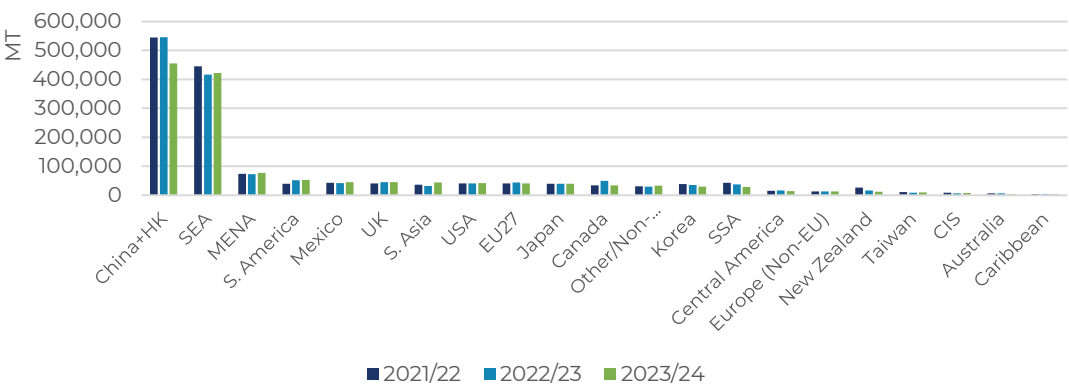


Global Overview: Whey (0404.10) – Last 12 Months

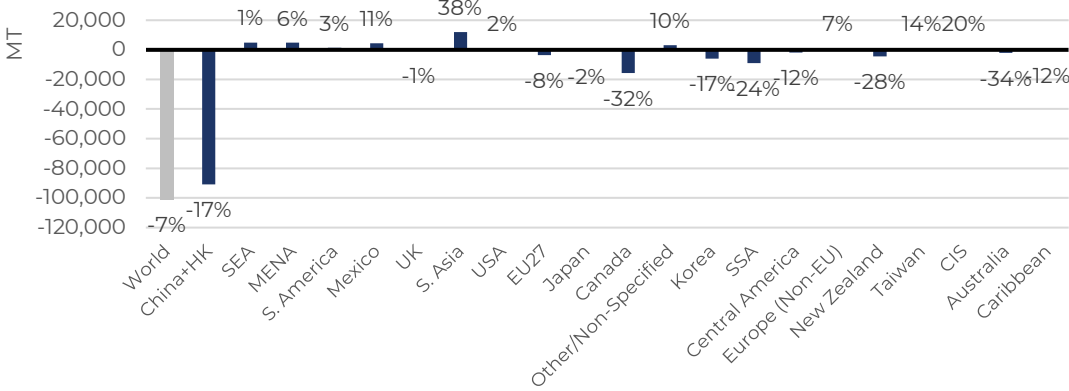
Global Whey (0404.10) Trade by Destination: Last 12 Months ending Jan



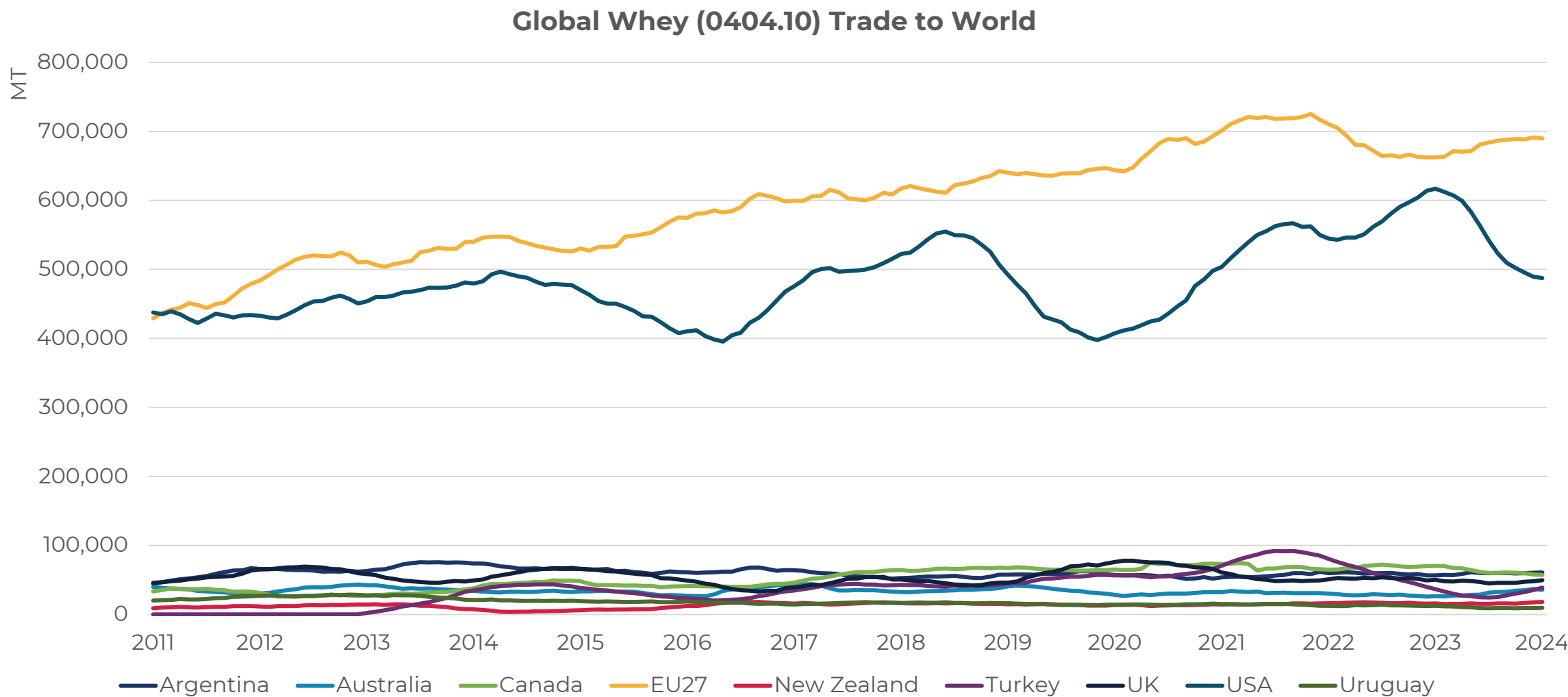
Global Whey (0404.10) Trade by Destination: Last 12 Months ending Jan



YOY Change in Global Whey (0404.10) Trade by Destination: Last 12 Months ending Jan 2024

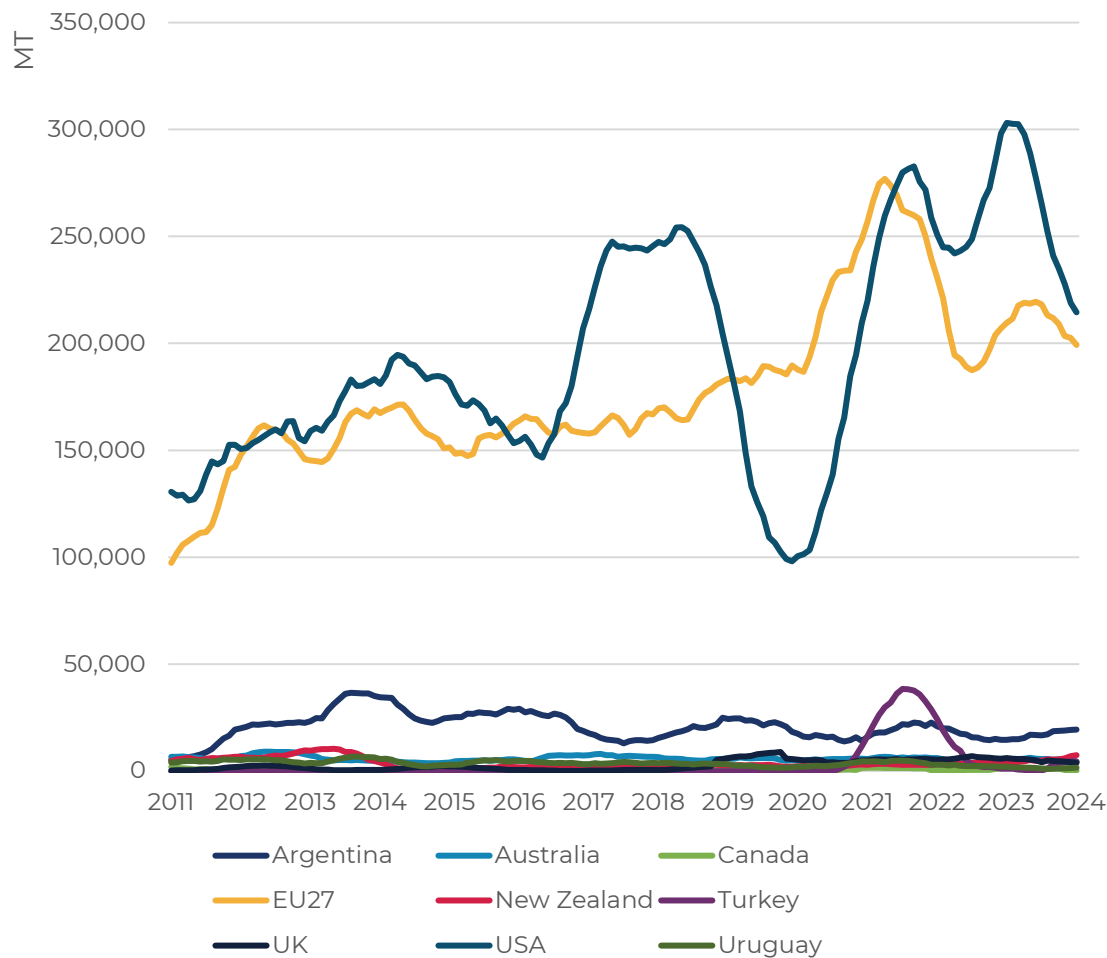


Trade Flows: Whey Products

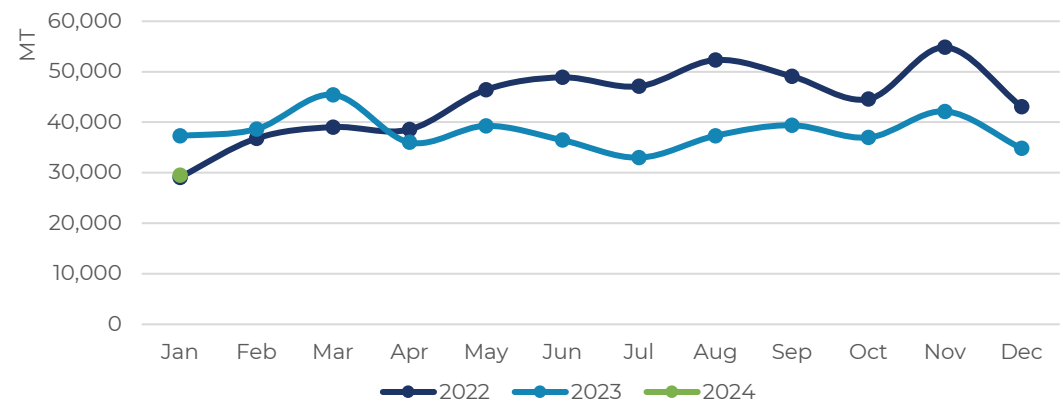


China

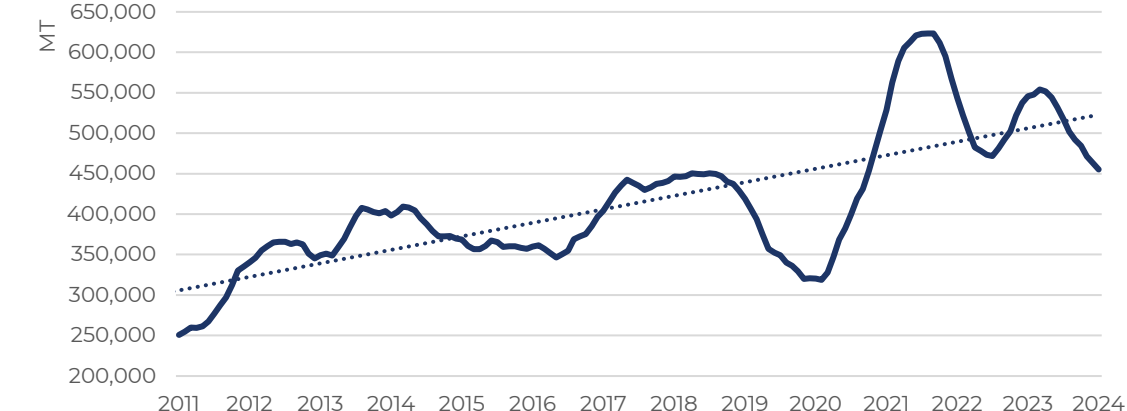
Global Whey (0404.10) Trade to China+HK



Global Whey (0404.10) Trade to China+HK

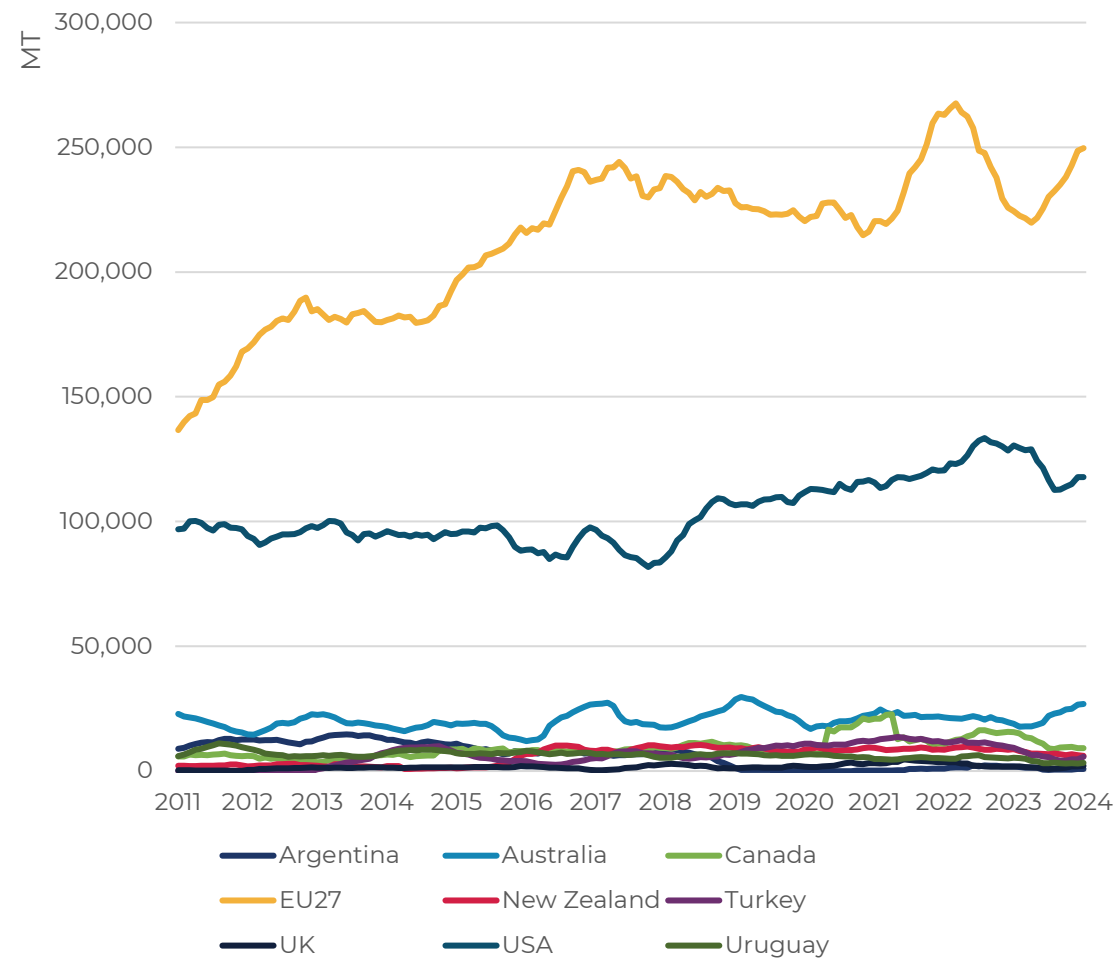


Global Whey (0404.10) Trade to China+HK

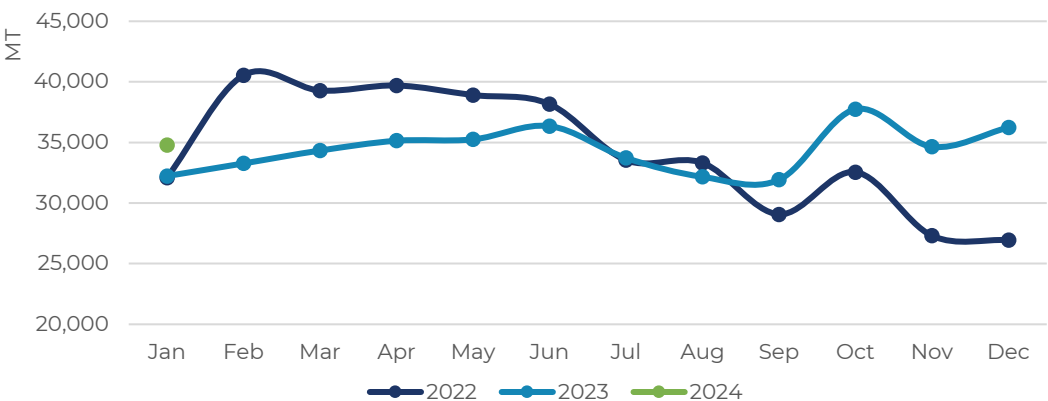


Southeast Asia

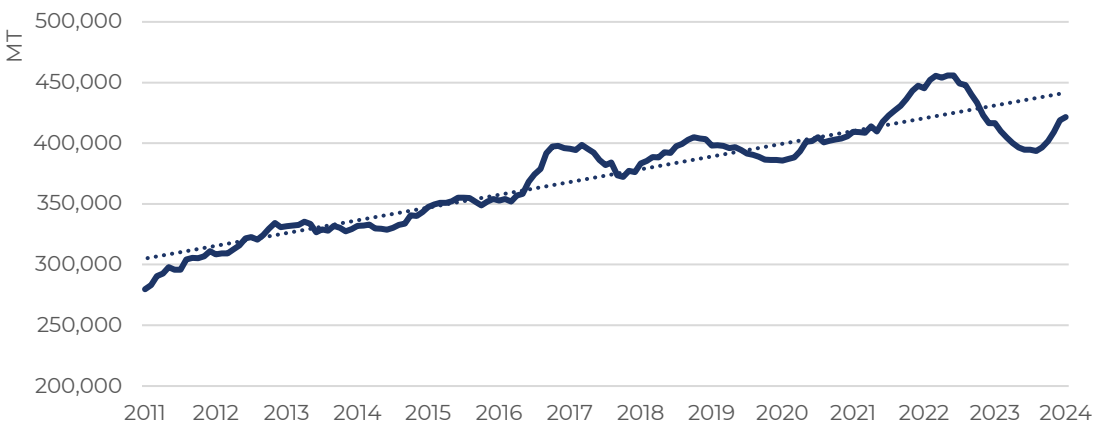
Global Whey (0404.10) Trade to SEA



Global Whey (0404.10) Trade to SEA



Global Whey (0404.10) Trade to SEA





**WPC80+
(3502.20)**

WPC80+ (3502.20) Market Commentary



KEY TAKEAWAYS

- **Global trade of high protein whey products maintained its momentum from 2023** with an extremely strong January, as volumes climbed 27% (+3,046 MT). January marked the ninth straight month of higher year-over-year trade.
- At first glance, China's import volumes were particularly notable, gaining 69% (+1,020 MT) for the month. However, **China's growth is mostly based off particularly weak prior year comparisons**. Taking a broader look, import volumes for the month appear roughly in line with the country's typical monthly volume. As such, the high January volumes are likely not the start of major rally.
- Looking beyond China, **most major importing regions increased volumes in January showcasing the widespread strength in high protein whey demand**. Japan and the EU were the two primary exceptions to this trend, with trade to the two markets falling by 5% (-99 MT) and 13% (-245 MT), respectively.

Global
WPC80+
Trade

+26.8%

January YoY

+26.8%

YTD, Ending January

+10.9%

Last 12-Months,
Ending January

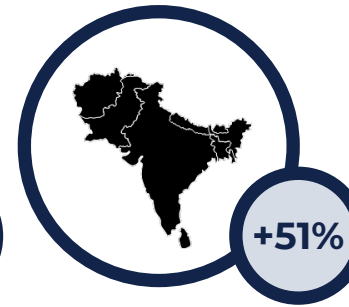
+5.5%

3-Year CAGR

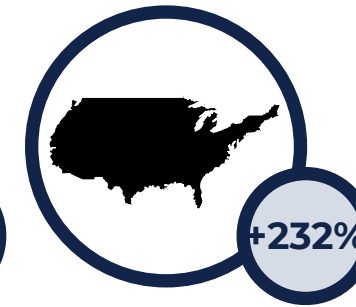
January Standout Markets



CHINA+HK
+1,020 MT



SOUTH ASIA
+475 MT



USA
+792 MT



UNITED KINGDOM
+603 MT

ADDITIONAL NOTES

Brazilian import demand has been incredibly strong over the last 3 years with the country increasing import volumes in 32 of the last 36 months and importing 182% more volume in 2023 than in 2021. Brazilian consumers are increasingly focused on health and wellness supporting a boom in both high protein whey aimed at gym goers as well as increased mainstream adoption as a value-added ingredient. In the last three years, there have been roughly 1,075 new product launches in Brazil with WPC and/or WPI as a key ingredient – up 31% from the prior 3-year period. January import volume was down 6% (-51 MT) – marking the first monthly decline in a year, but likely not the start of major pullback. It's hard to imagine Brazilian imports maintaining the same pace of growth for the next three years, but with room to grow in per capita consumption and after continued strong import volumes through high prices in 2022, there is little to suggest Brazilian import demand will see any dramatic pullback in the near-term.

WPC80+ (3502.20) Market Commentary



LOOKING AHEAD

- WPC80+ prices in October and November began increasing sharply after sitting at comparatively low levels for the majority of Q2 and Q3 of last year. The more recent rally in prices likely triggered additional volume purchases as buyers attempted to lock in sales before prices rallied even higher (the highs of 2022 are still fresh in buyers' minds). That additional volume likely contributed to the higher volume of trade in January and while we expect February to show growth, next months data will likely showcase lower YOY growth numbers than January.
- Stepping back, **over the last 9 months, global WPC80+ trade jumped 15% (+17,089 MT) with lower prices over the middle part of 2023 a key accelerant.** Since then, prices have rallied significantly, which may slow global demand, especially in more price sensitive regions.
- Still, global protein prices have stabilized over the last couple months and remain well below the highs of 2022. **The question remains whether this price point is low enough to maintain the rate of demand growth experienced in 2023.** As global economies continue to recover, buyers should be able to bear the higher price point even if it doesn't incentivize building inventory.

U.S. WPC80+ Exports

+24.7%

January YoY

+24.7%

YTD, Ending January

+18.9%

Last 12-Months,
January

+5.9%

3-Year CAGR

EU WPC80+ Exports

+37.5%

January YoY

+37.5%

YTD, Ending January

+8.1%

Last 12-Months,
Ending January

+2.6%

3-Year CAGR

NZ WPC80+ Exports

+11.4%

January YoY

+11.4%

YTD, Ending January

+6.9%

Last 12-Months,
Ending January

+2.3%

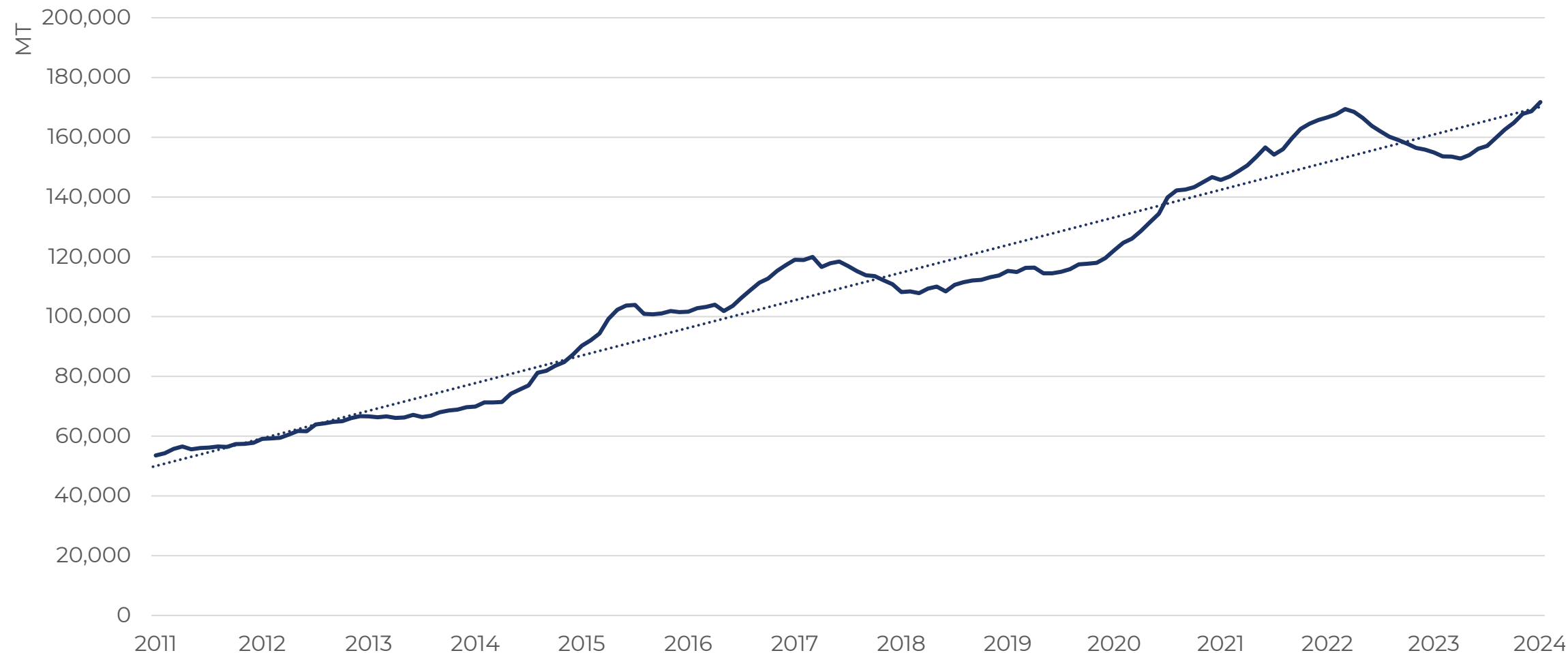
3-Year CAGR

ADDITIONAL NOTES

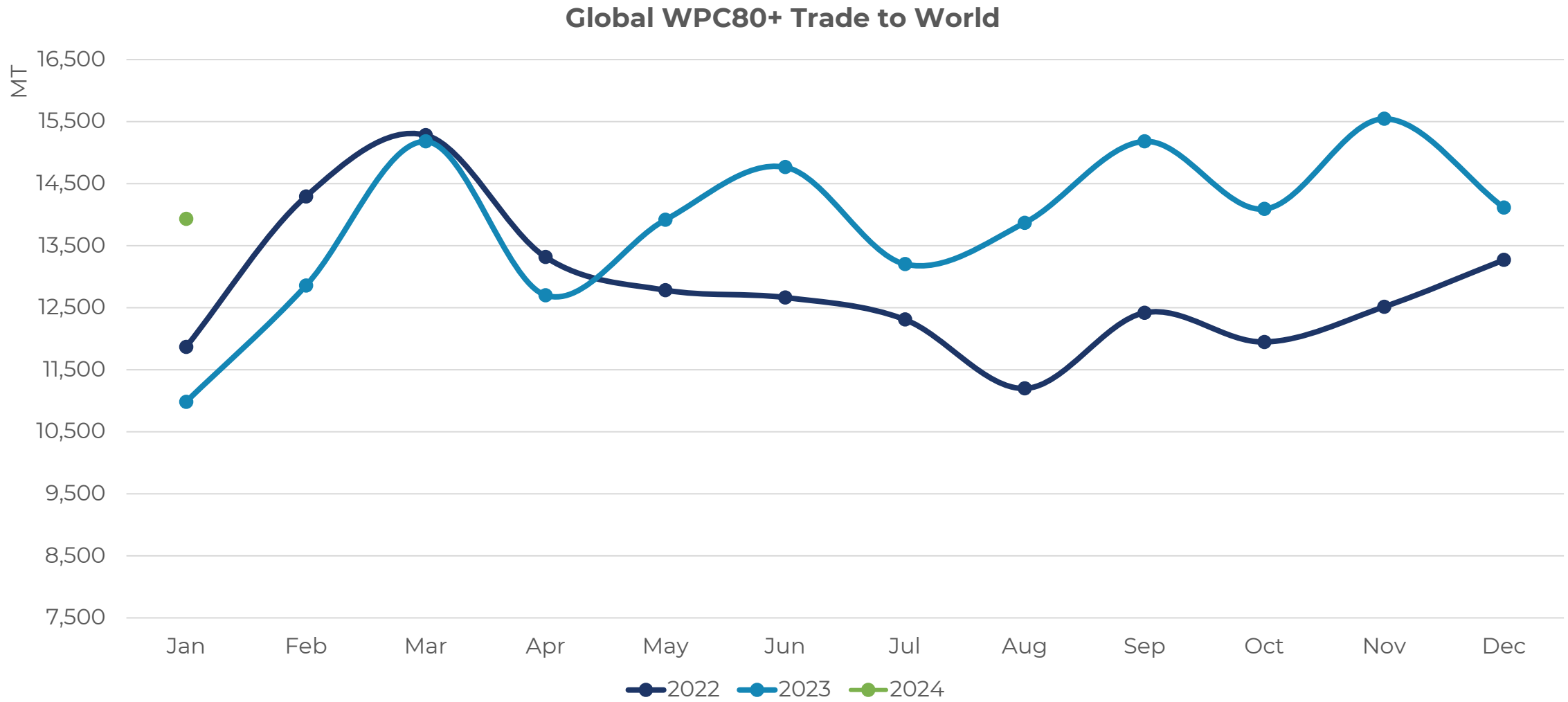
Global high protein whey demand has been on a remarkable growth trajectory for the past decade (7.6% CAGR 2014-2023), which we anticipate will continue to grow for years to come. If the same pace of growth is maintained for the next 5-years, the world will demand roughly 40% (+75,000 MT) more high protein whey in 2028 than it did in 2023. In terms of who will be able to supply it, it is increasingly clear the answer is largely the U.S. as the country continues to invest in cheese and high protein whey production capacity. Over the next few years, U.S. high protein whey production is expected to increase roughly 30%. At the same time, the challenging regulatory environment both in New Zealand and the EU has provided little incentive or opportunity for capacity investment in either region leaving the growing gap between demand and production to be filled by the U.S.

Global Overview: WPC80+

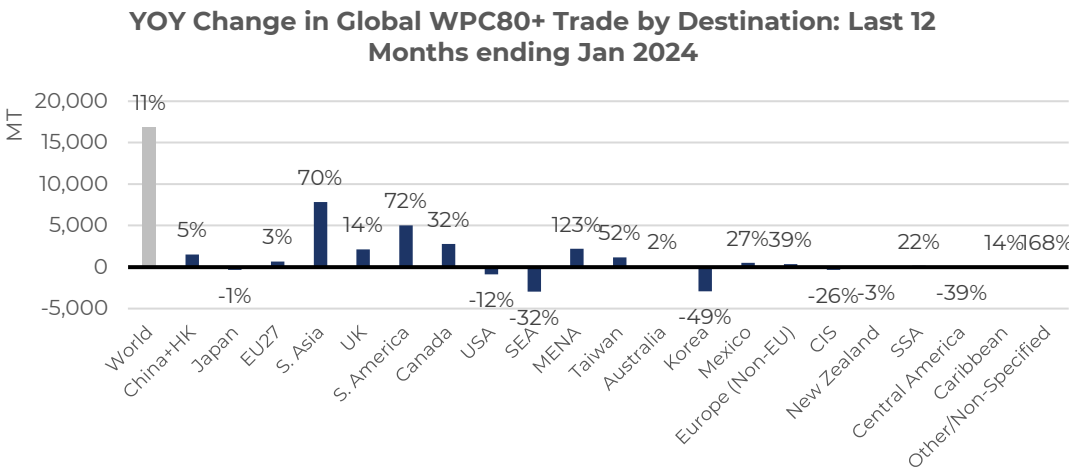
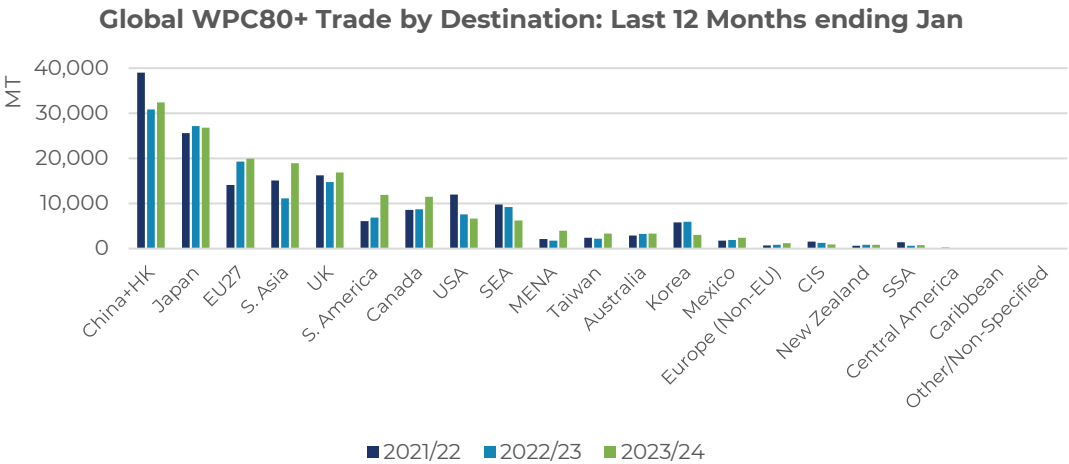
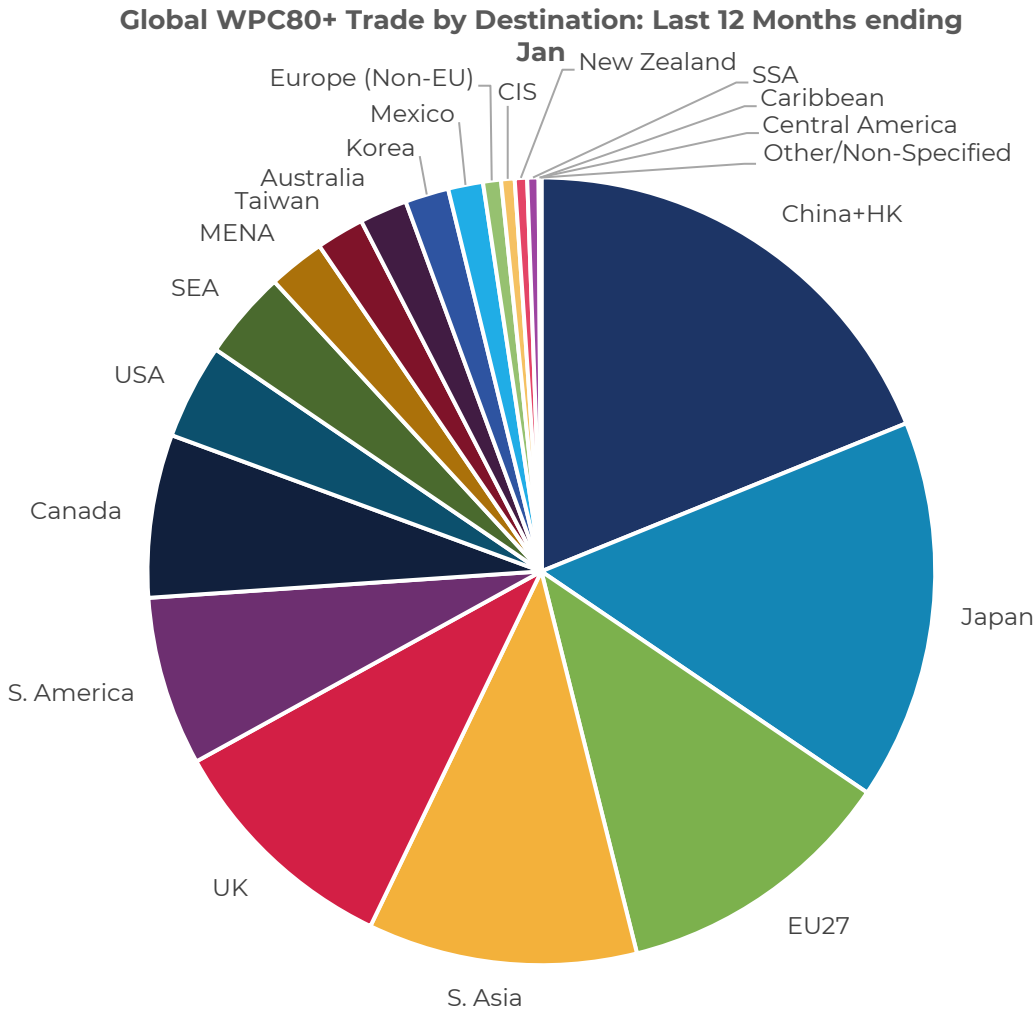
Global WPC80+ Trade to World



Global Overview: WPC80+

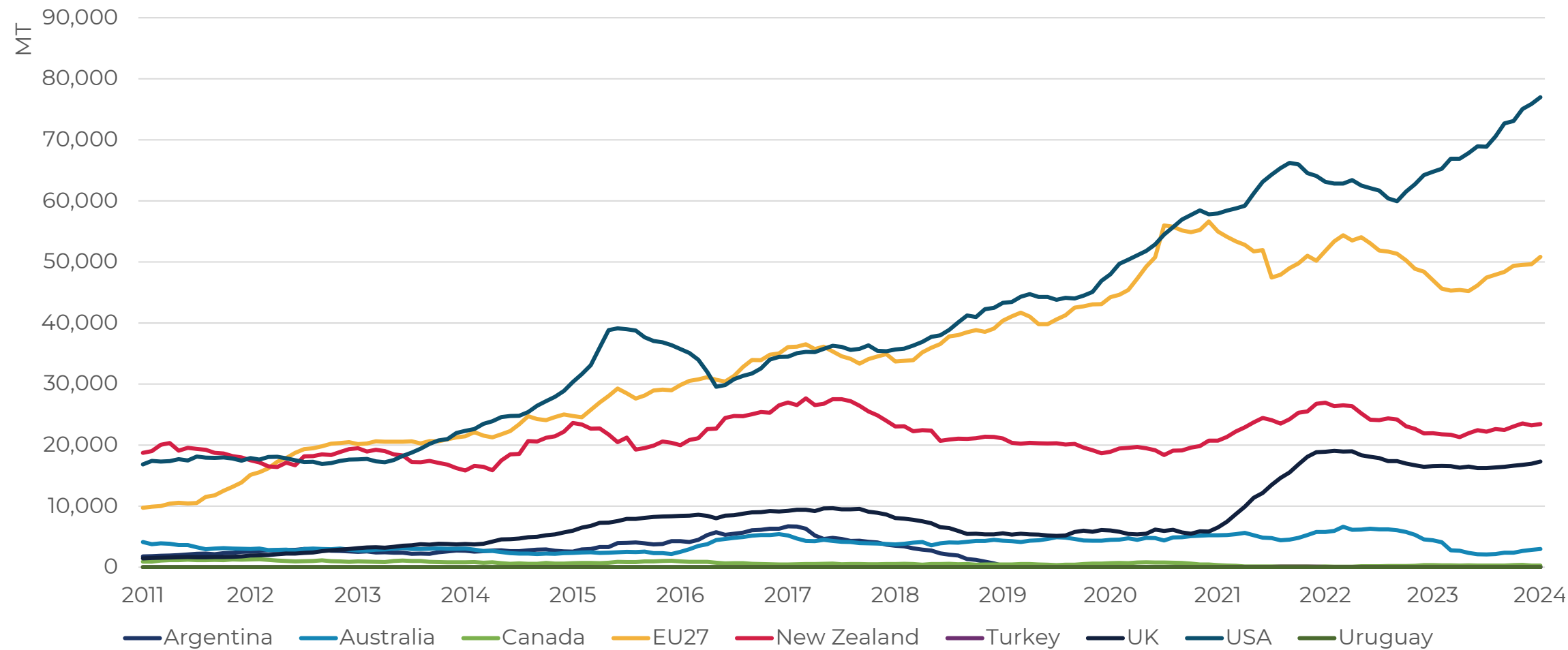


Global Overview: WPC80+ – Last 12 Months



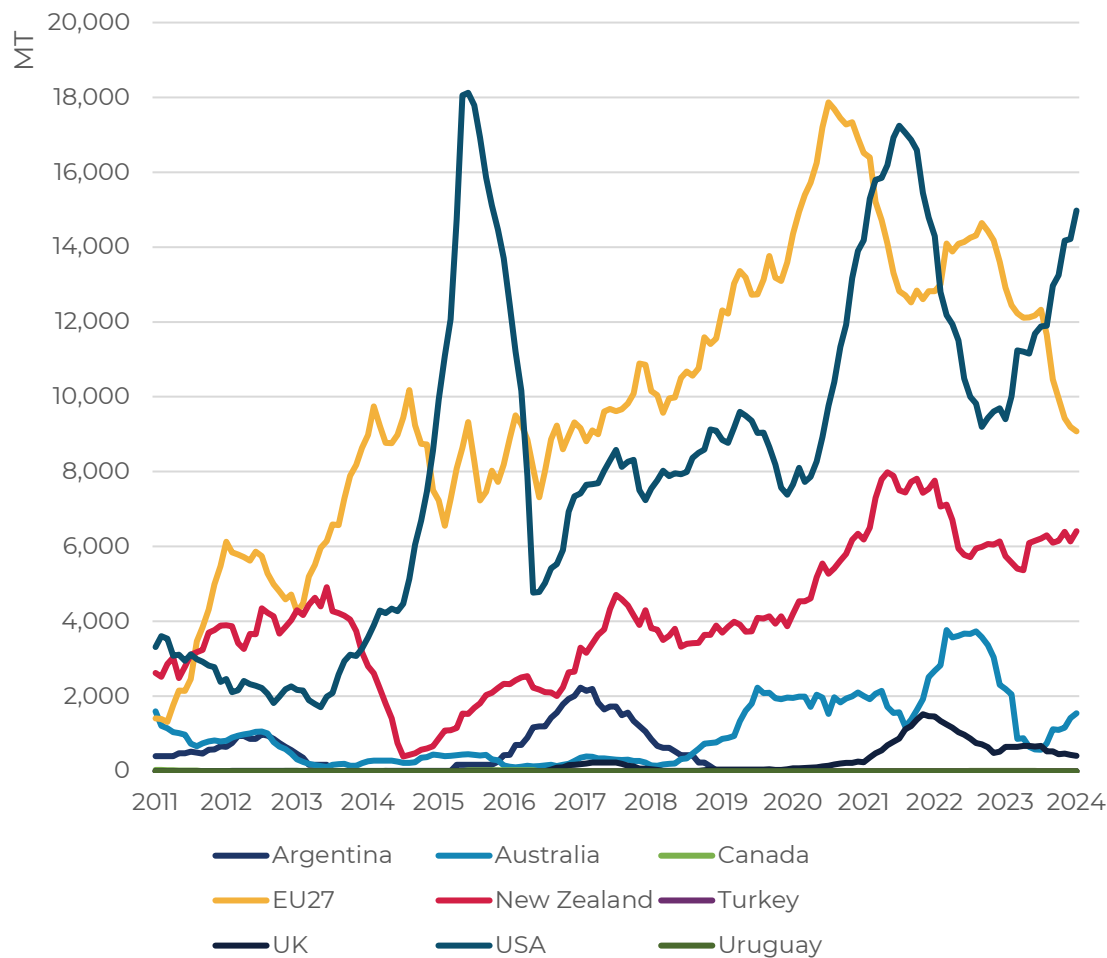
Trade Flows: WPC80+

Global WPC80+ Trade to World

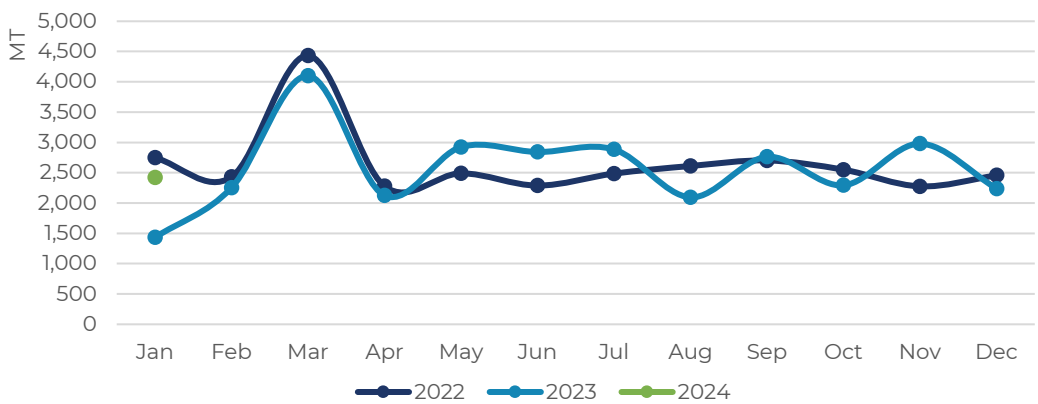


China

Global WPC80+ Trade to China+HK



Global WPC80+ Trade to China+HK

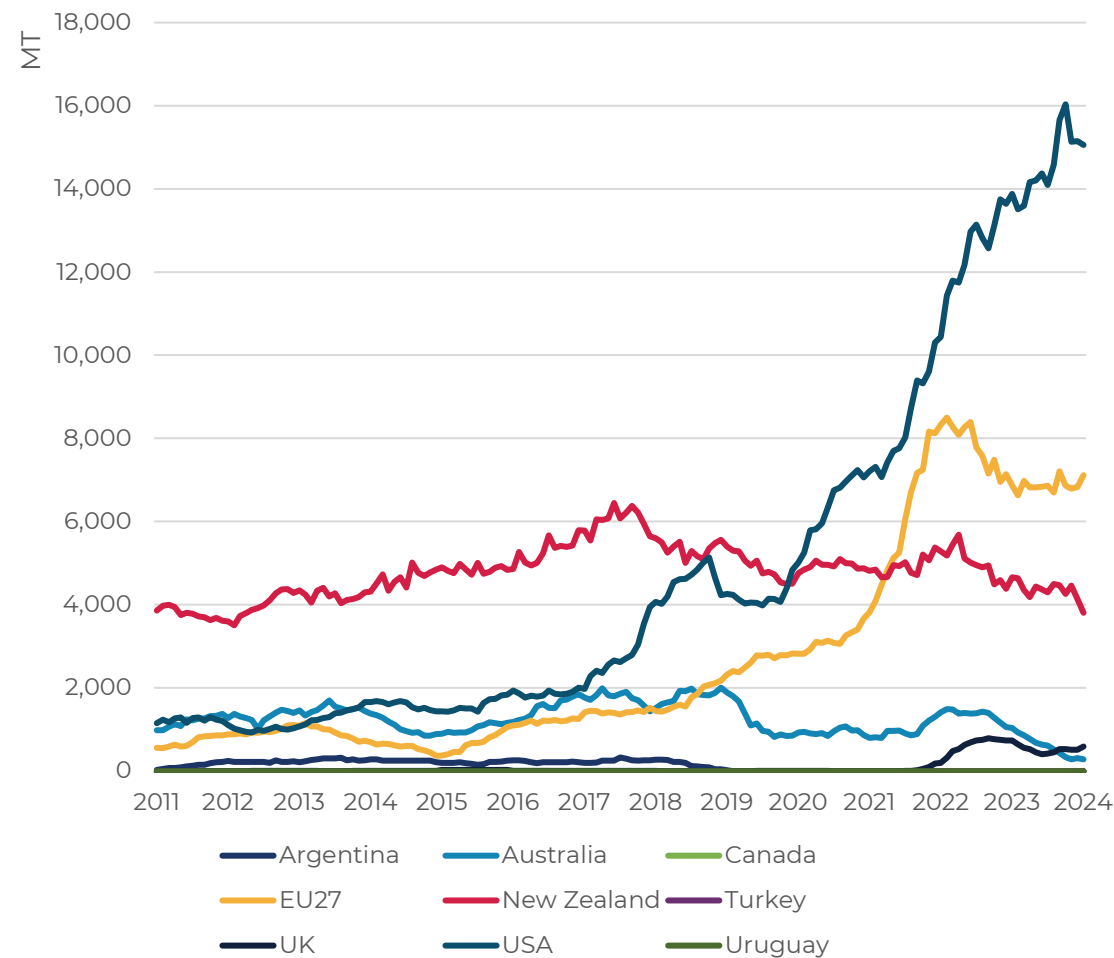


Global WPC80+ Trade to China+HK

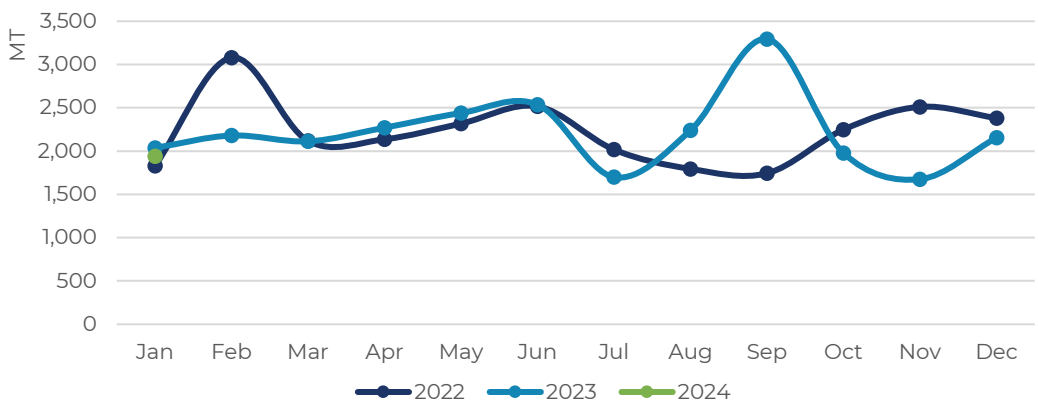


Japan

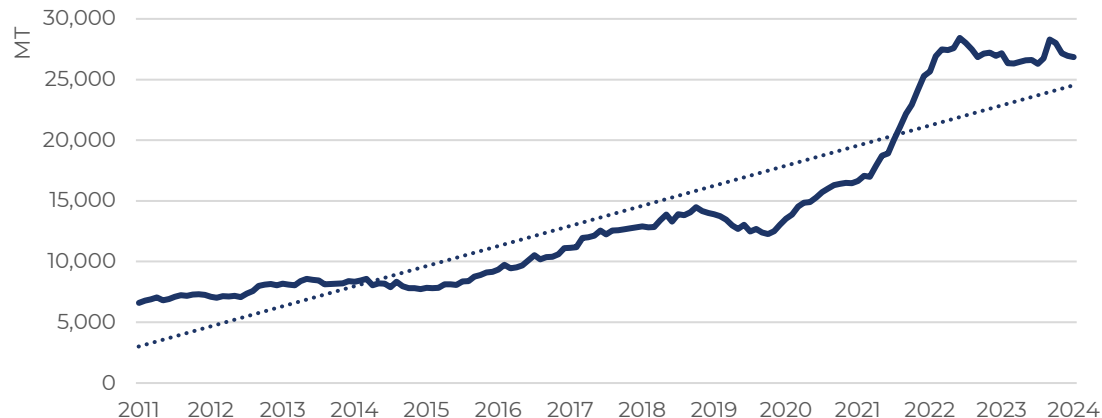
Global WPC80+ Trade to Japan



Global WPC80+ Trade to Japan

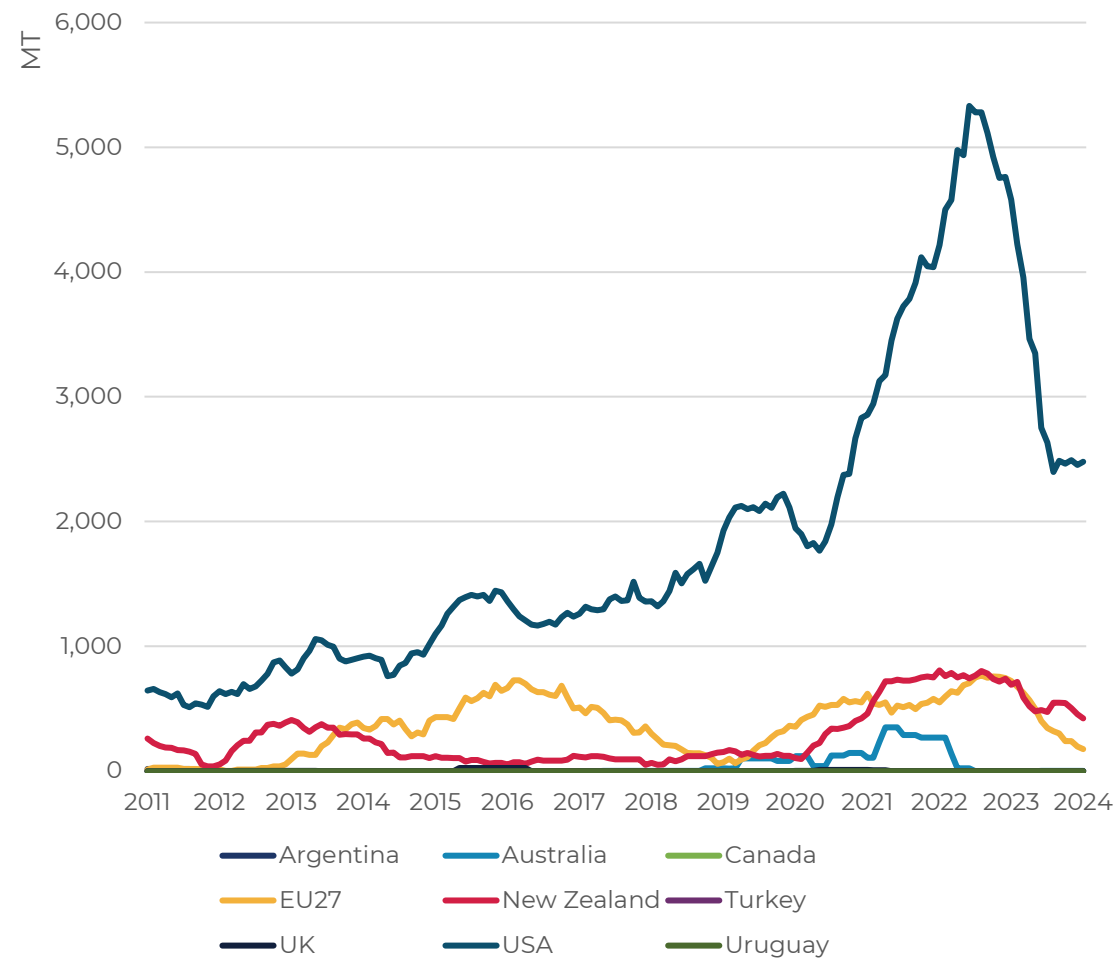


Global WPC80+ Trade to Japan

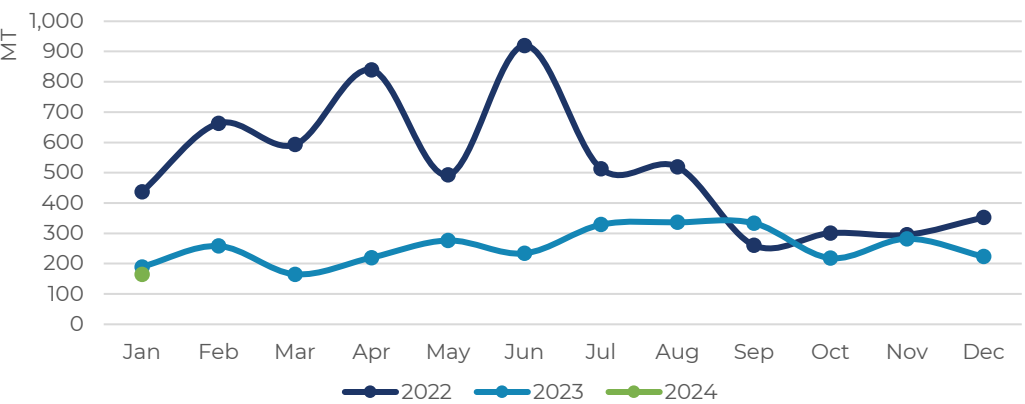


Korea

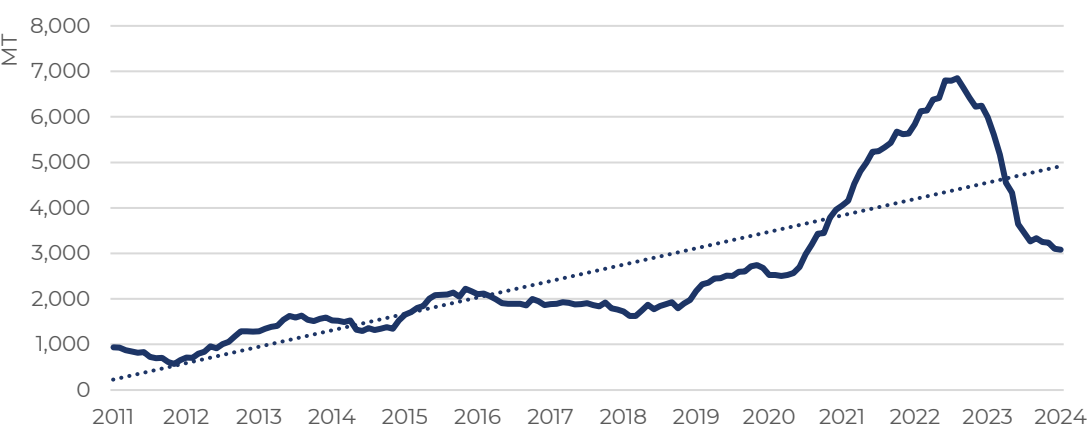
Global WPC80+ Trade to Korea



Global WPC80+ Trade to Korea

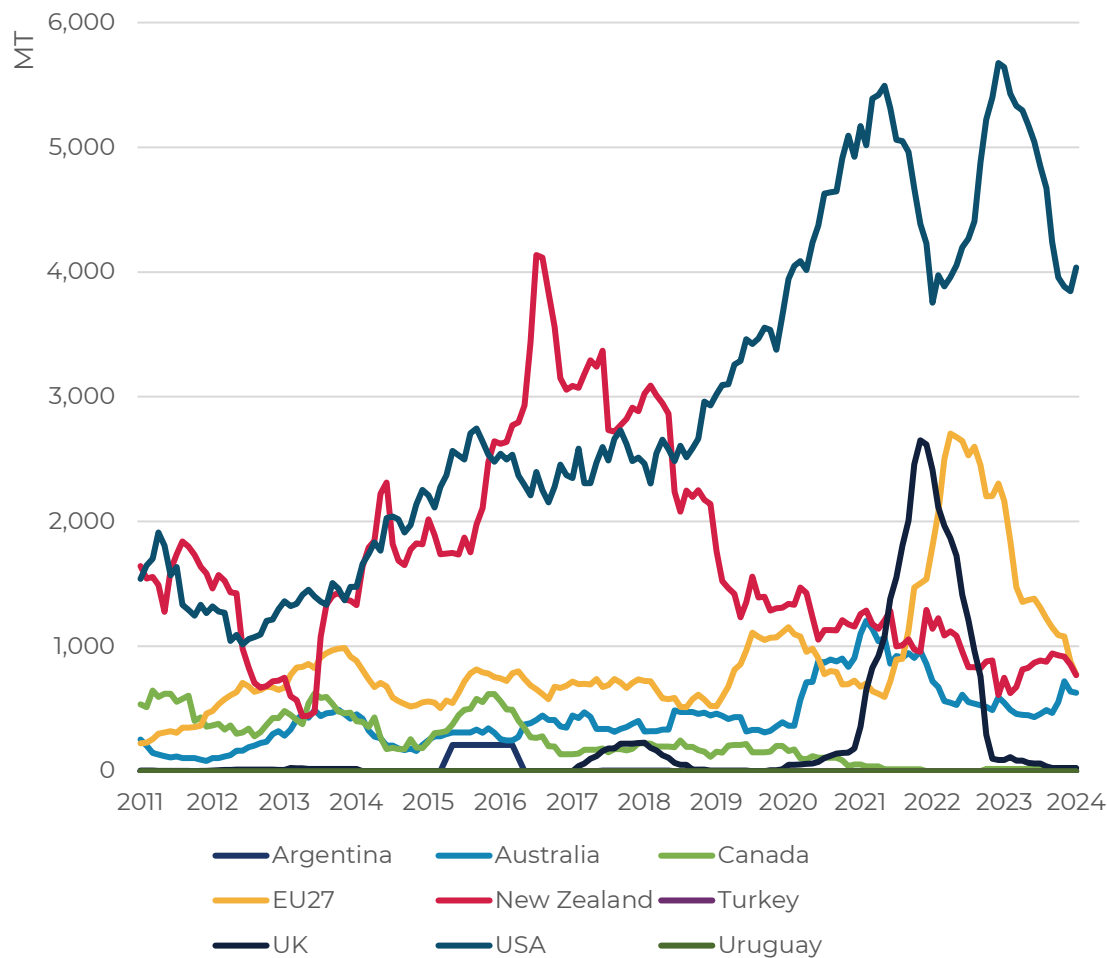


Global WPC80+ Trade to Korea

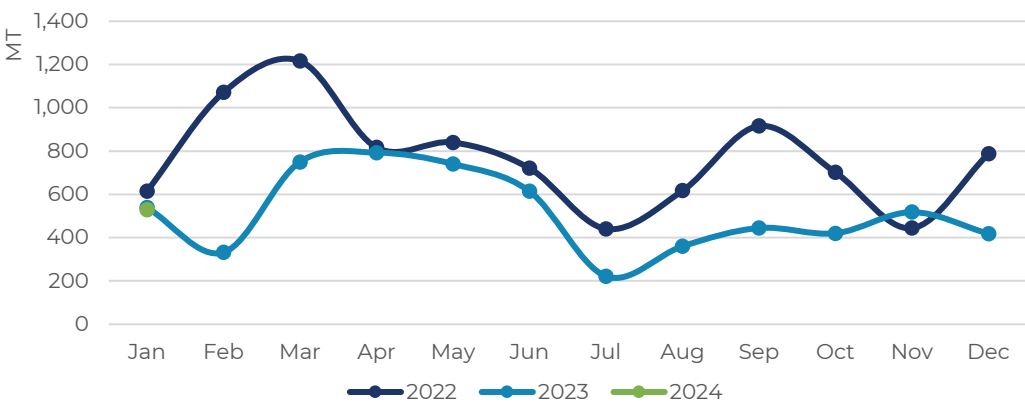


Southeast Asia

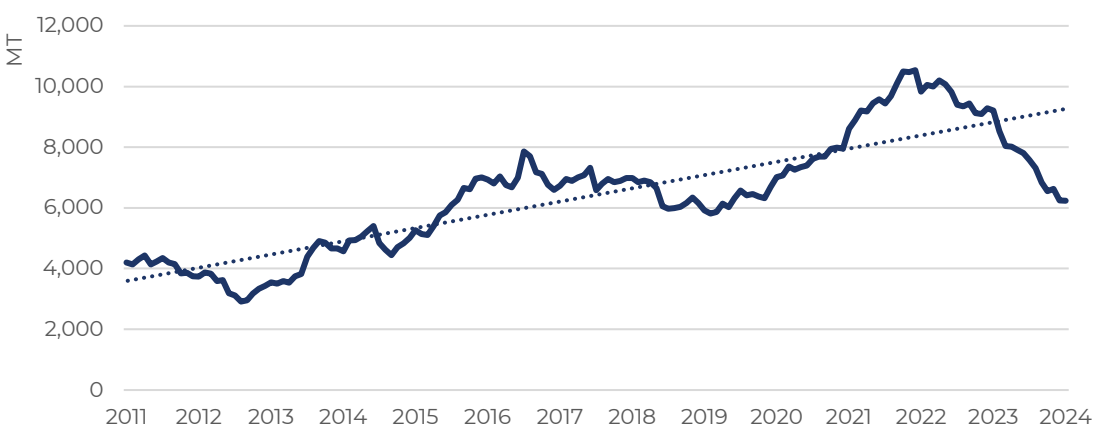
Global WPC80+ Trade to SEA



Global WPC80+ Trade to SEA

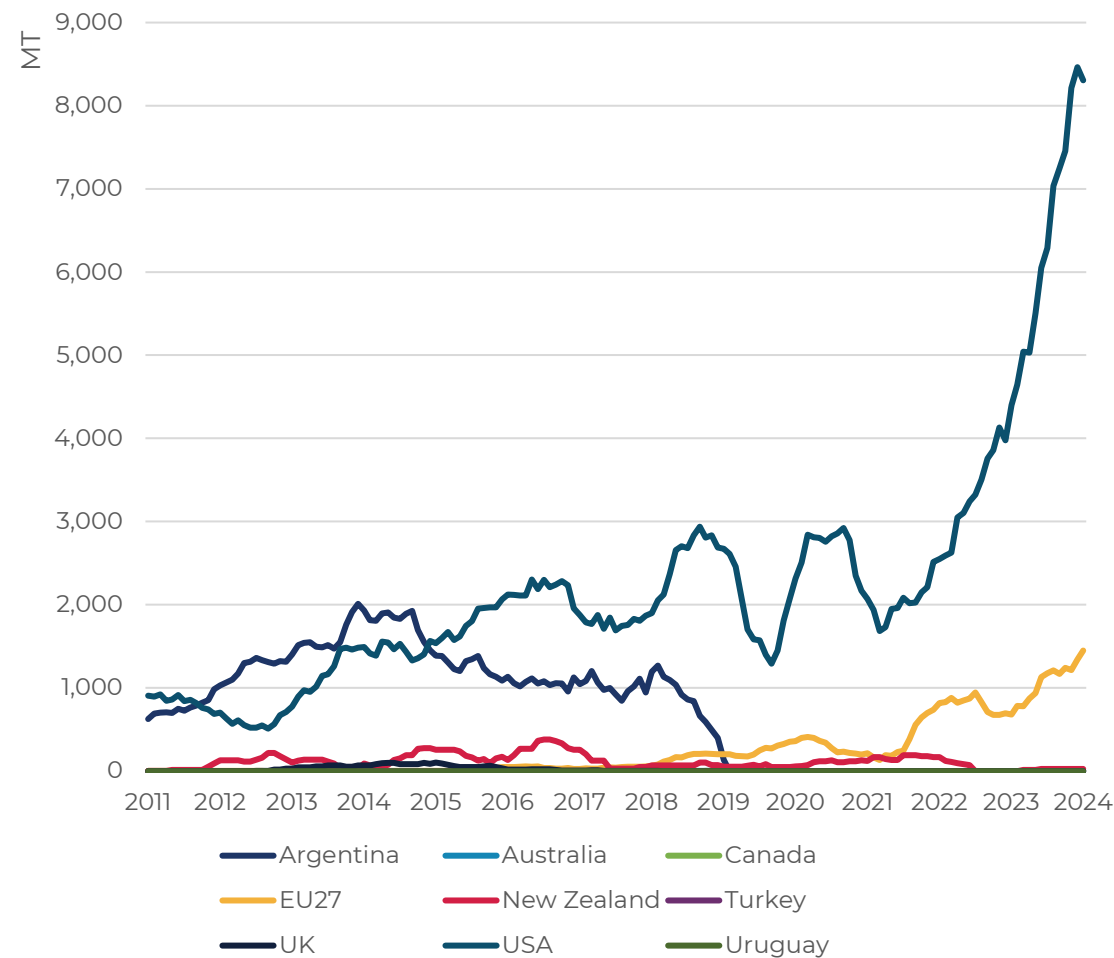


Global WPC80+ Trade to SEA

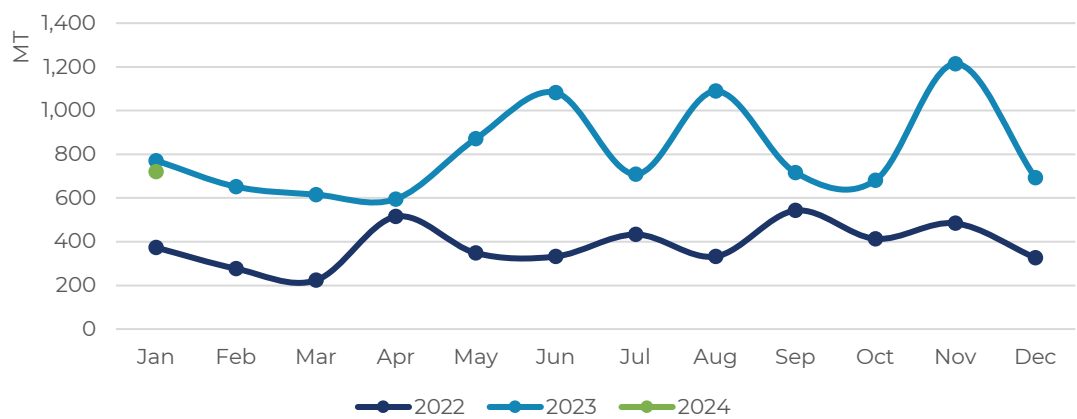


Brazil

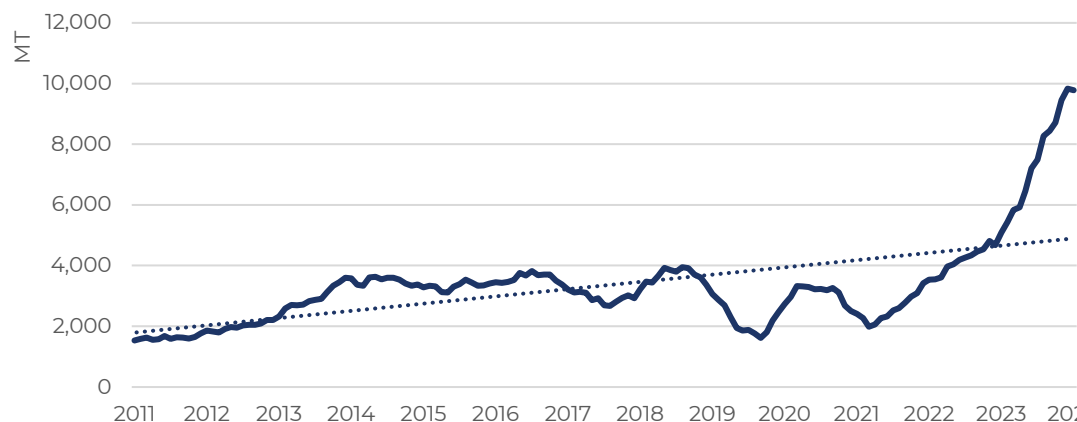
Global WPC80+ Trade to Brazil



Global WPC80+ Trade to Brazil



Global WPC80+ Trade to Brazil





NMPF | USDEC
DAIRY
ECONOMICS

Other Dairy Products

Global Overview: Lactose



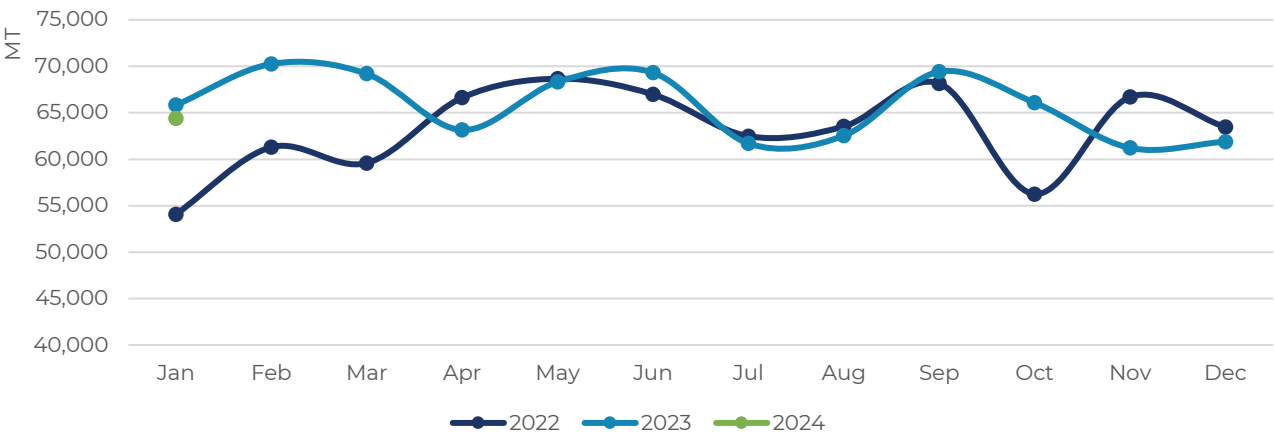
KEY TAKEAWAYS

Global Lactose Trade

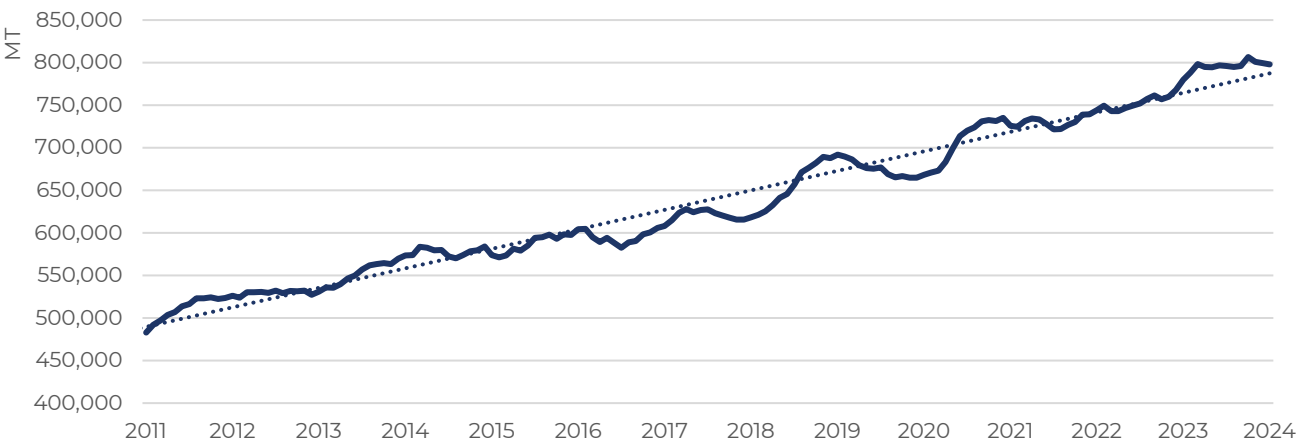
-2.2%	-2.2%	+2.3%	+3.1%
January YoY	YTD, Ending January	Last 12-Months, Ending January	3-Year CAGR

- Major drawbacks in Southeast Asian (-21%, -2,557 MT) and Japanese (-15%, -1,173 MT) demand dampened global lactose trade in the first month of 2024. China continued to take advantage of low lactose prices (+19%, +2,188 MT) and remains one of the brighter spots in global dairy trade in 2023 even as inventories in the country are on the rise.
- Shipments to Mexico also increased substantially in January (+75%, +2,220 MT). The region has seen significant growth in demand over the past year, which seems to be maintaining in 2024. However, if Southeast Asia and Japan continue to be absent, lactose trade may cool in the year ahead.

Global Lactose Trade to World

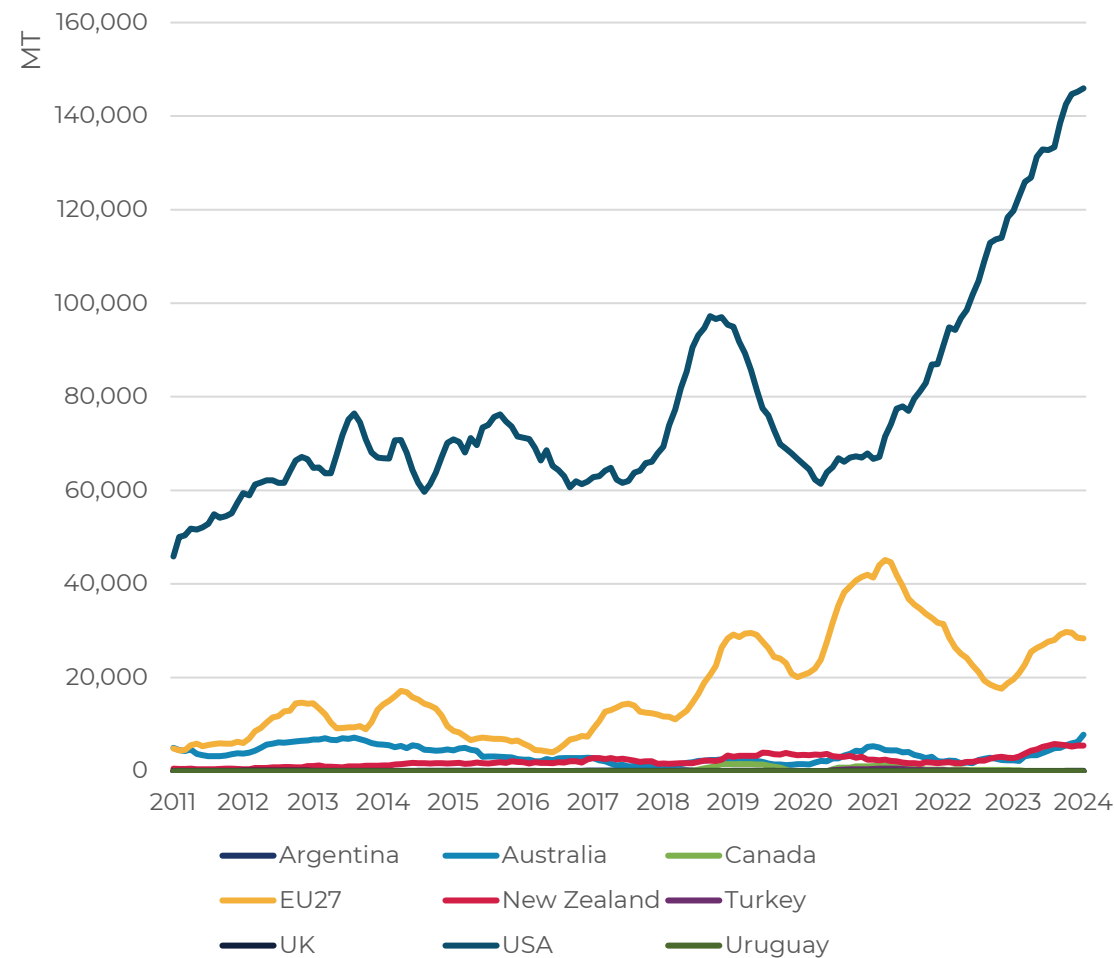


Global Lactose Trade to World

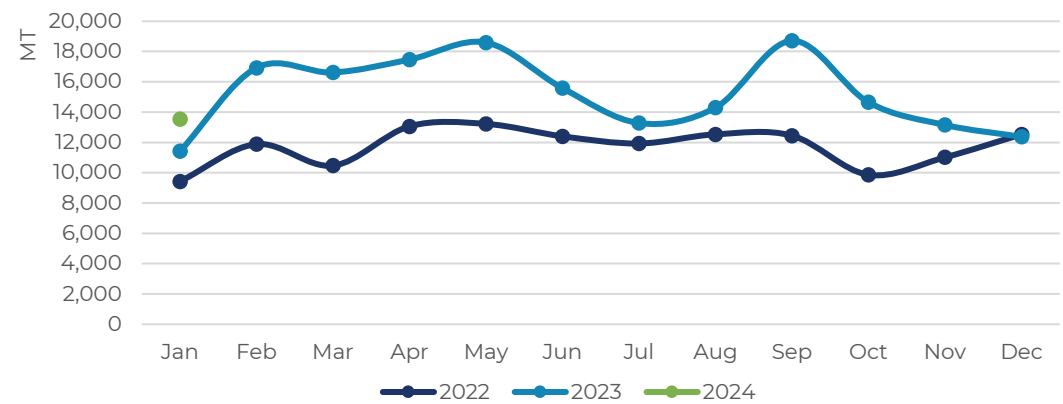


Lactose – China

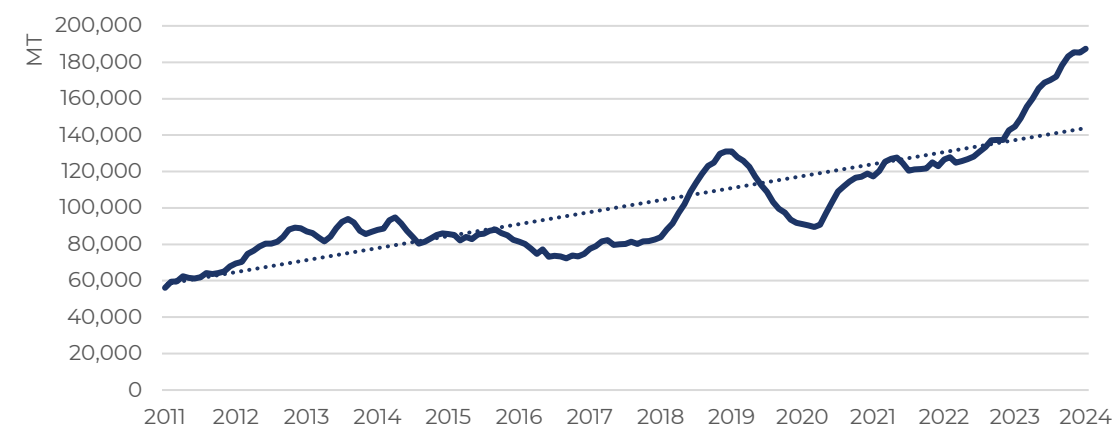
Global Lactose Trade to China+HK



Global Lactose Trade to China+HK

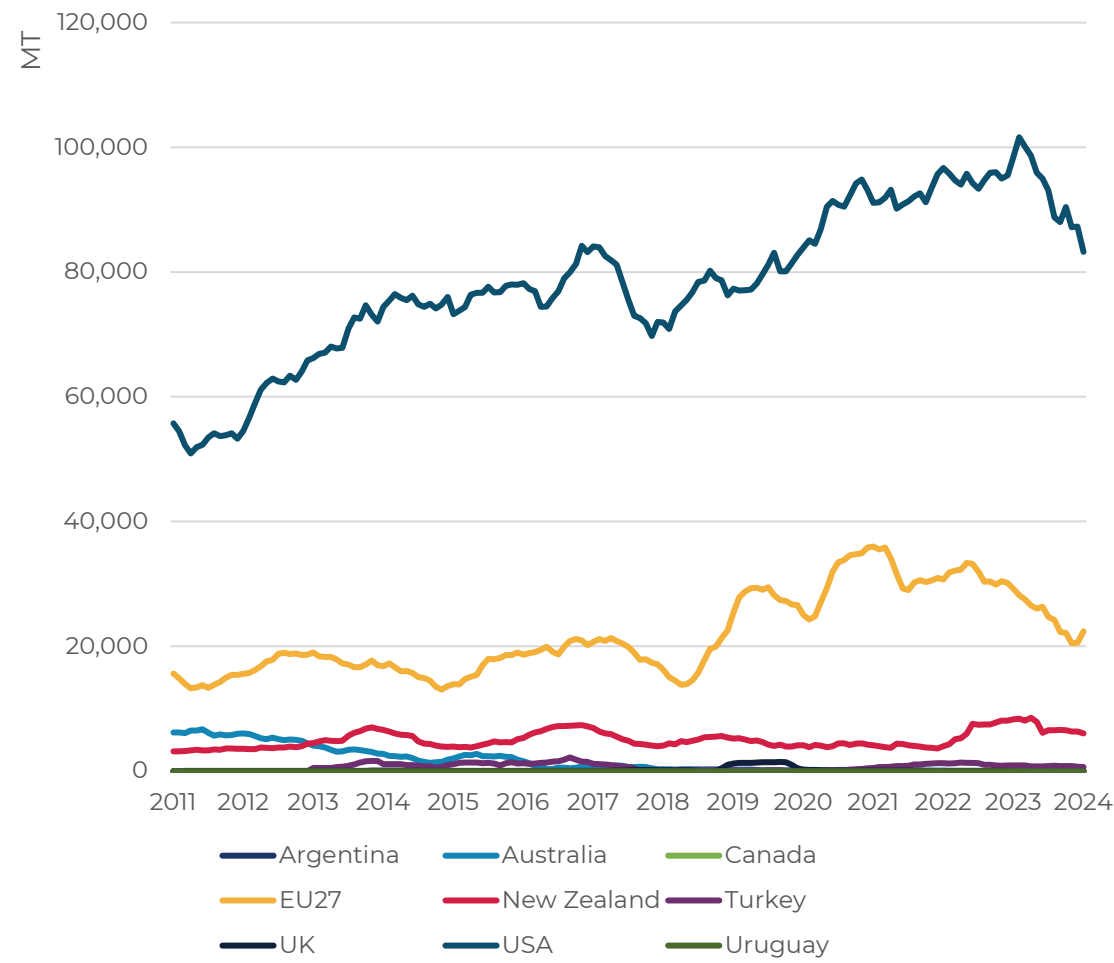


Global Lactose Trade to China+HK

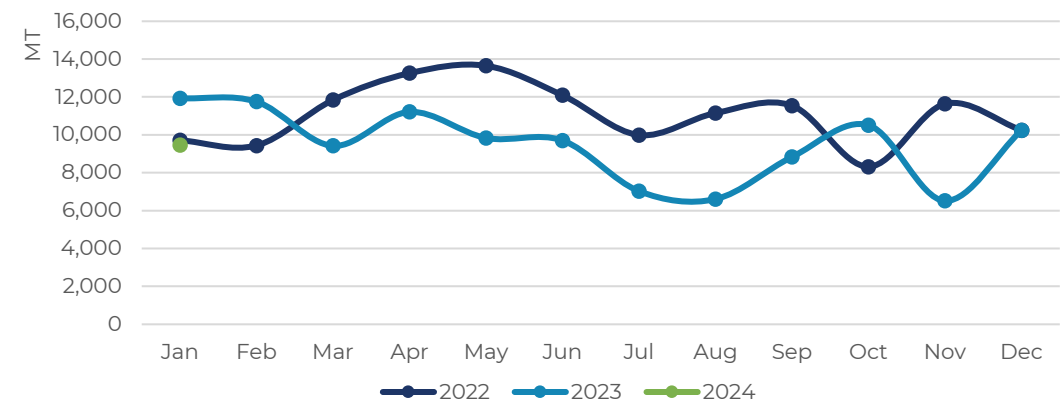


Lactose – Southeast Asia

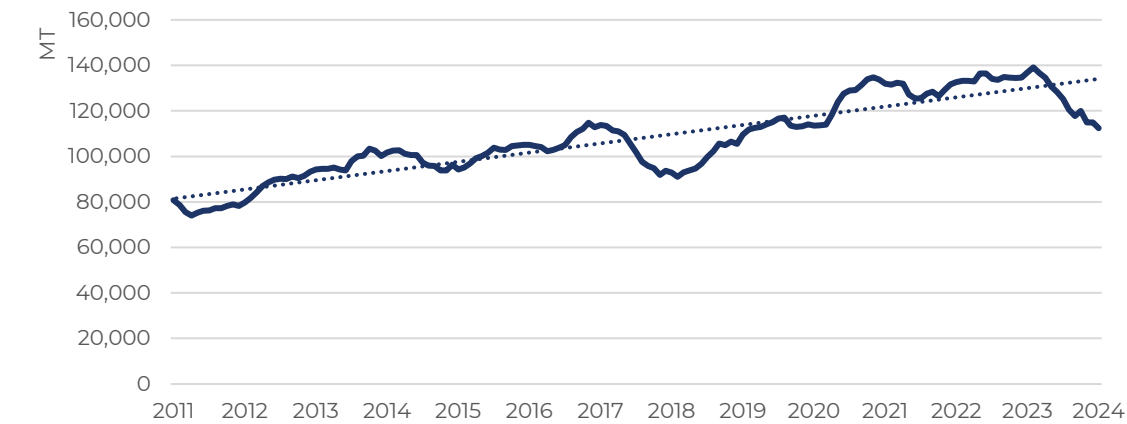
Global Lactose Trade to SEA



Global Lactose Trade to SEA



Global Lactose Trade to SEA



Global Overview: Butter



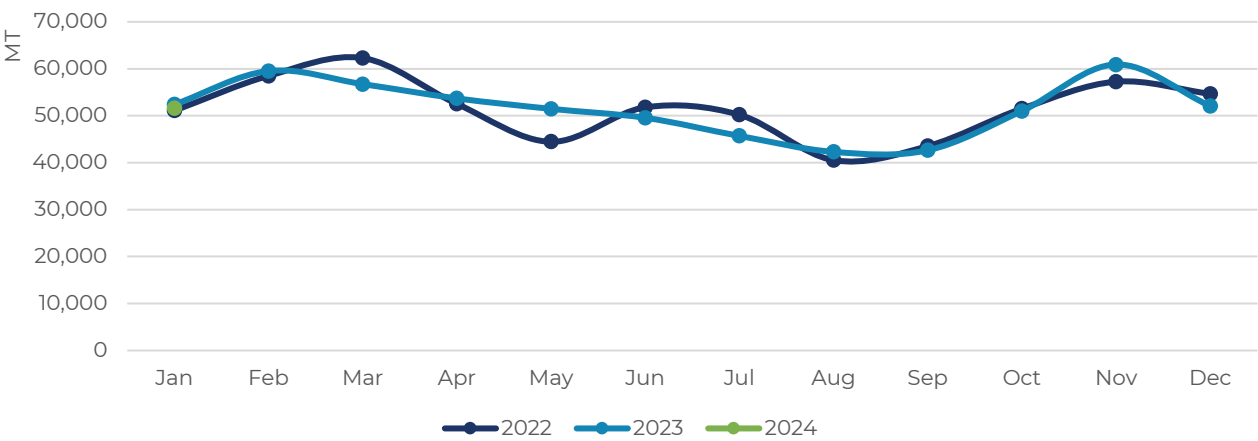
KEY TAKEAWAYS

Global Butter Trade

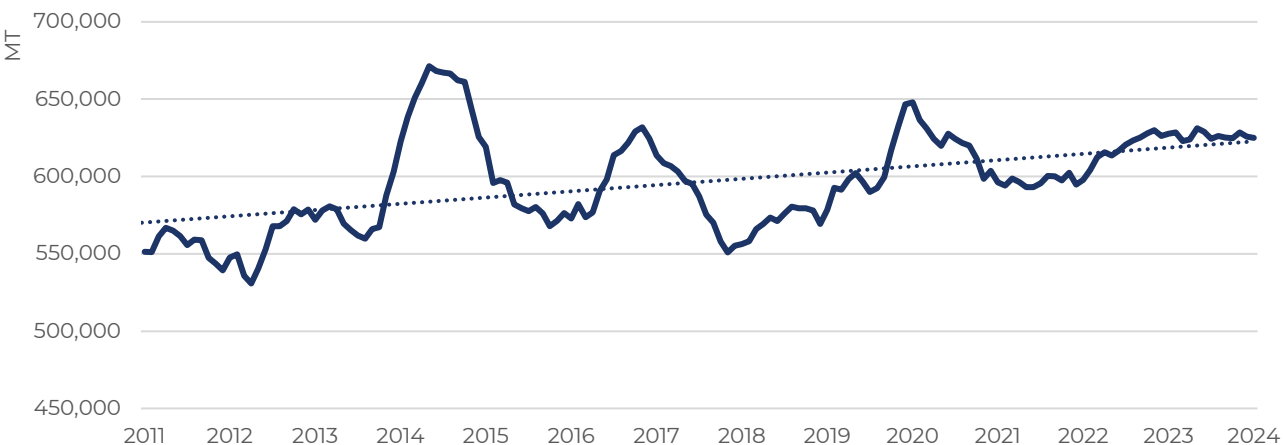
-1.5%	-1.5%	-0.4%	+1.5%
January YoY	YTD, Ending January	Last 12-Months, Ending January	3-Year CAGR

- Though butter trade to China rebounded sharply in January (+55%, +3,933 MT), lackluster demand in several markets kept global exports depressed in the first month of 2024. Shipments to MENA (-14%, -1,491 MT) and the EU27 (-39%, -1,588 MT) dropped off, as did exports to Australia (-27%, -1,002 MT) and Korea (-46%, -1,570 MT).
- Butter trade has been fairly stagnant since the latter half of 2022 as demand from MENA has fallen, countering overall gains seen in China. Overall, unless there is a major shift in prices and supply availability, it's difficult to envision much upward potential in global butter trade.

Global Butter Trade to World

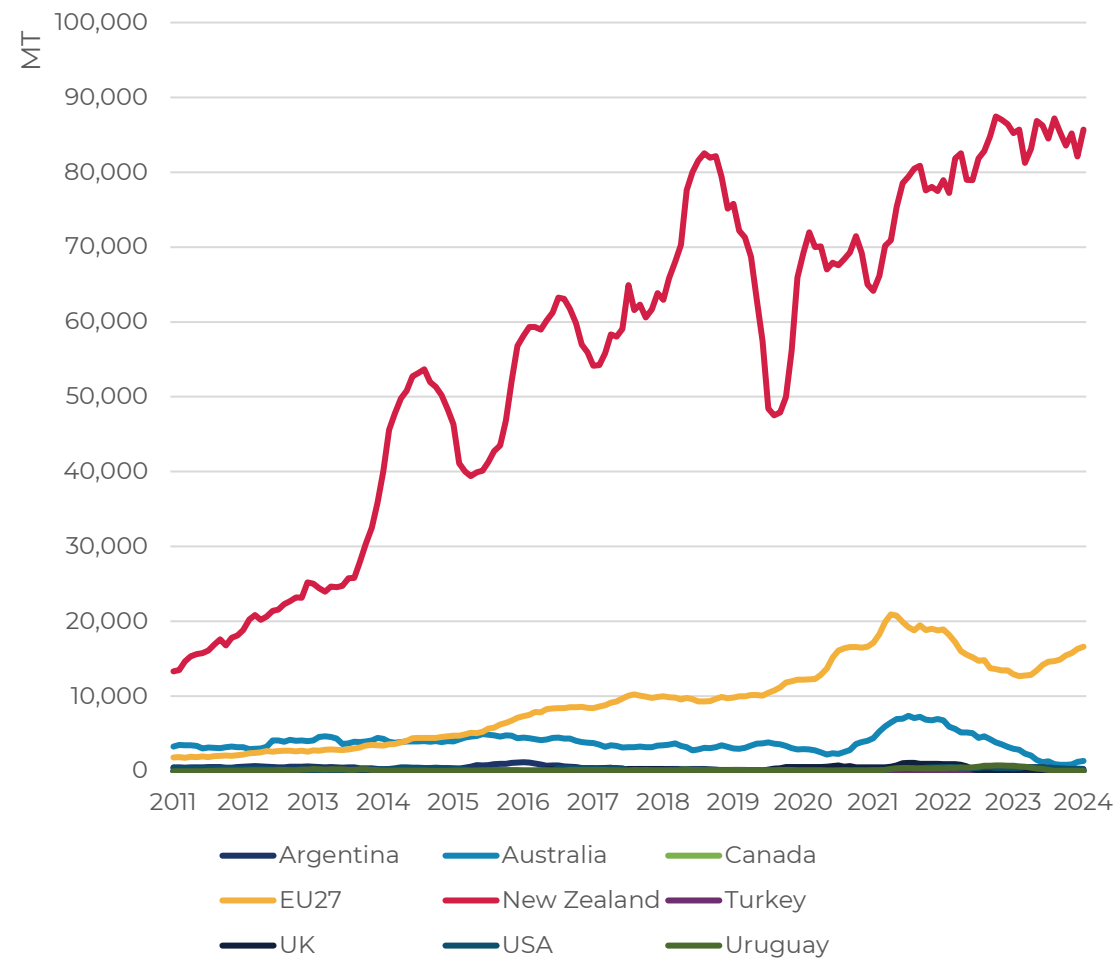


Global Butter Trade to World

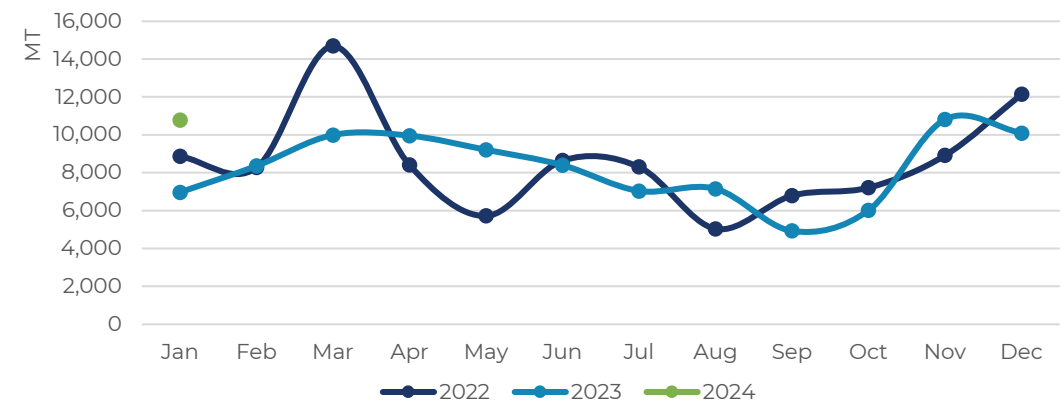


Butter – China

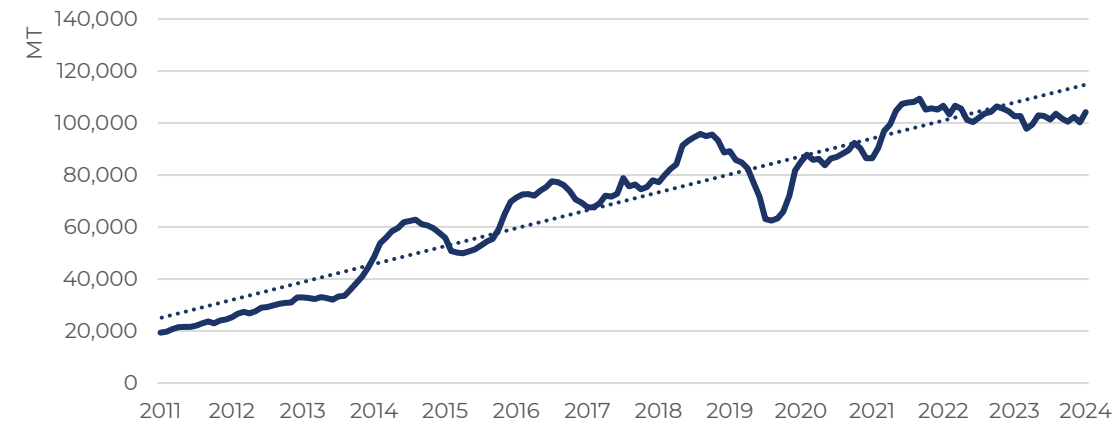
Global Butter Trade to China+HK



Global Butter Trade to China+HK

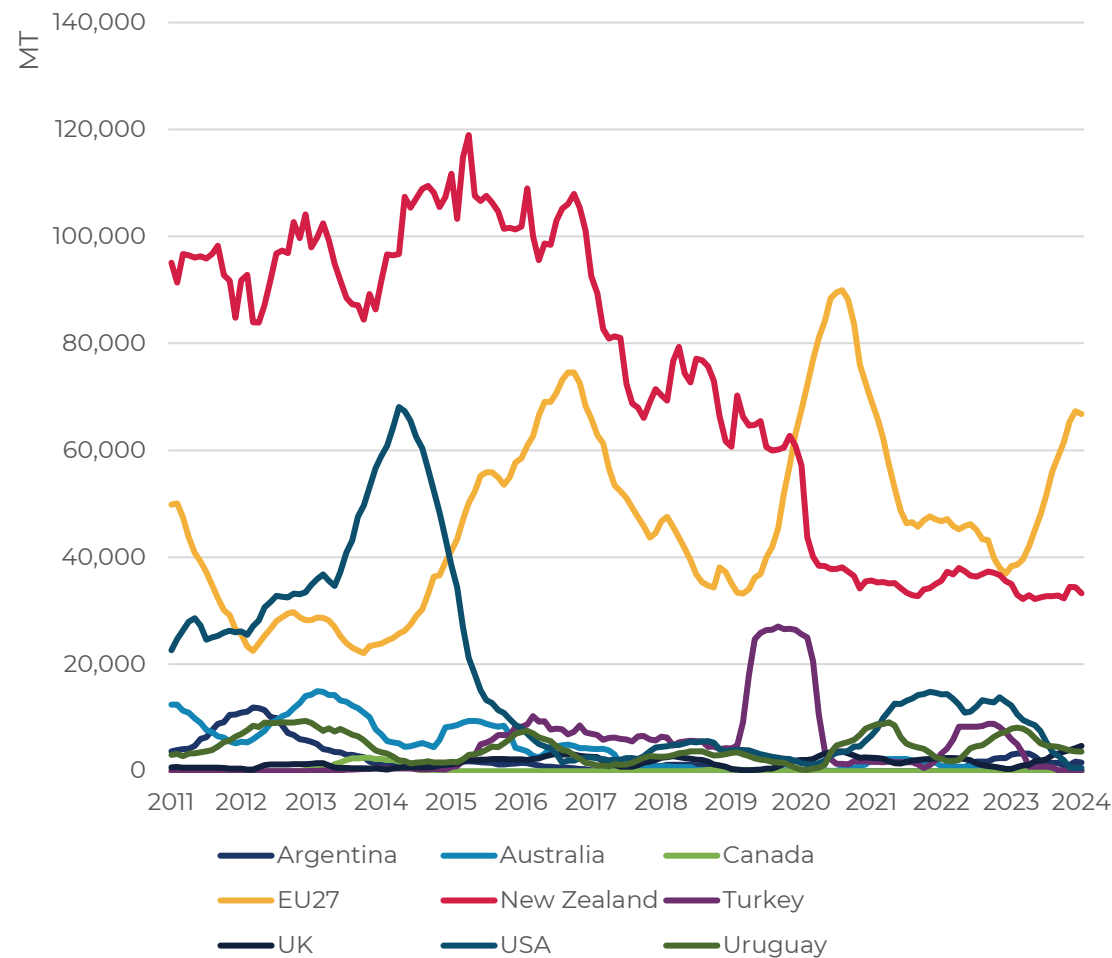


Global Butter Trade to China+HK

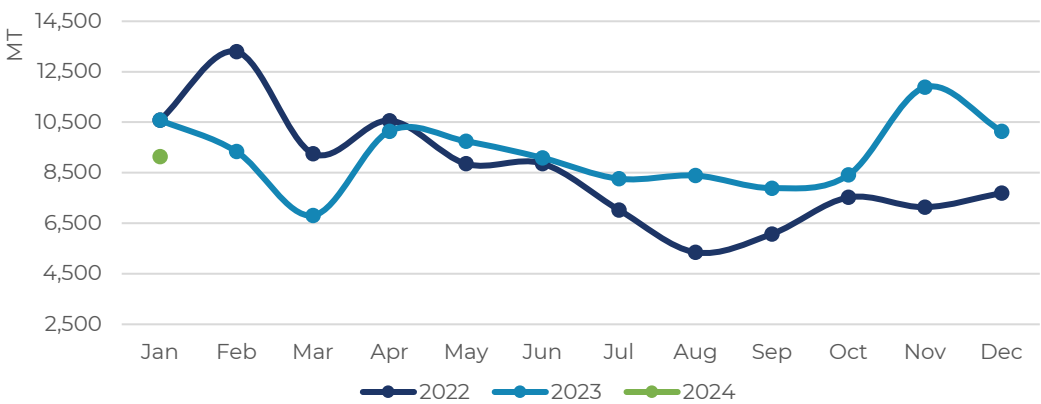


Butter – MENA

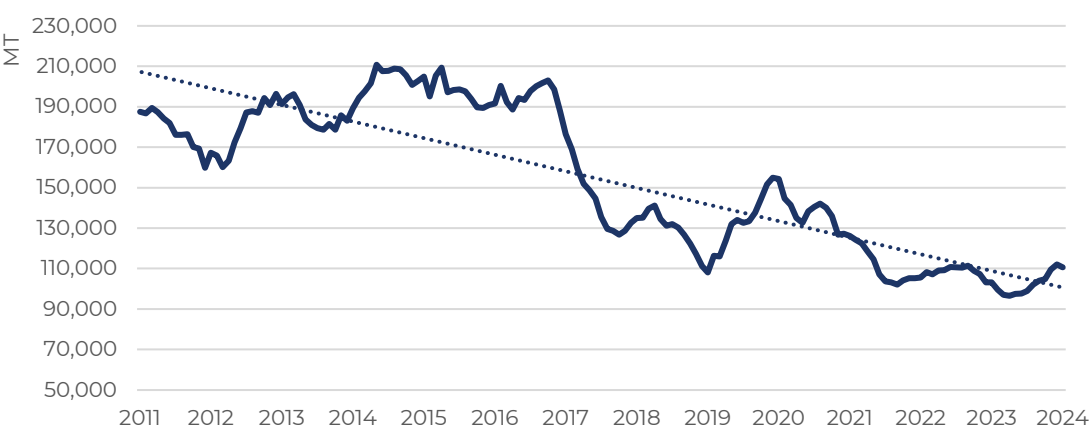
Global Butter Trade to MENA



Global Butter Trade to MENA



Global Butter Trade to MENA



Global Overview: Whole Milk Powder



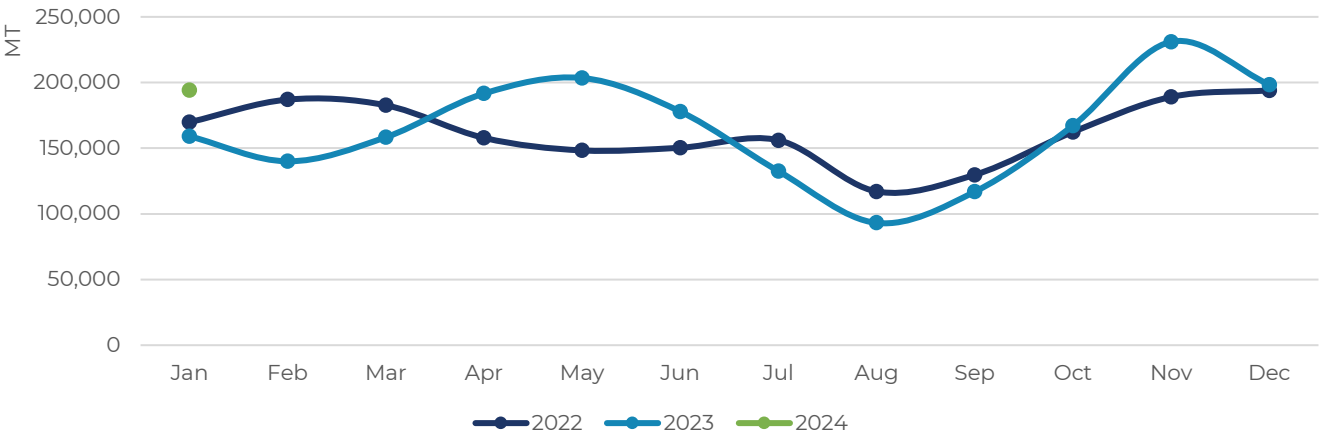
KEY TAKEAWAYS

Global WMP Trade

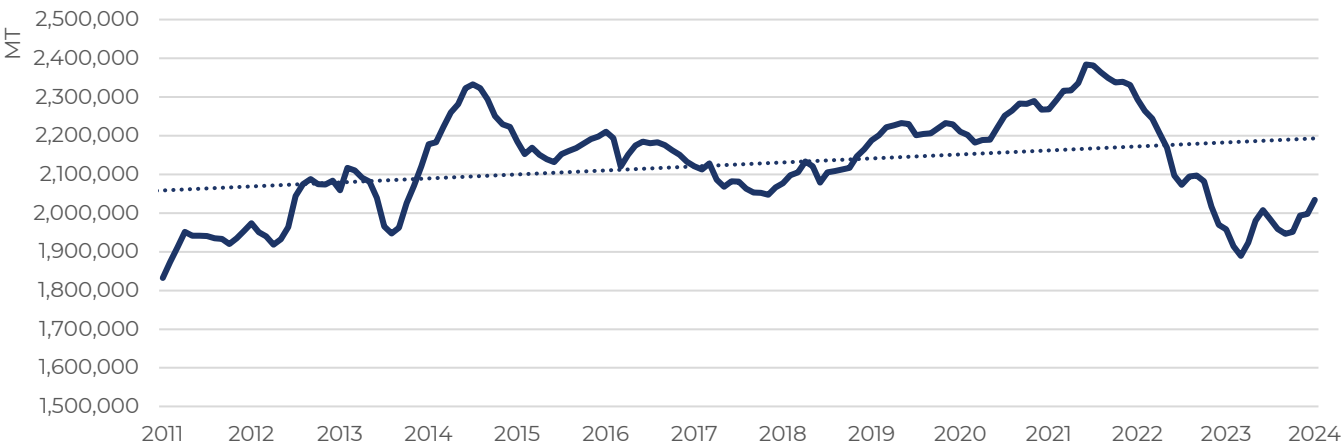
+22.1%	+22.1%	+3.9%	-3.7%
January YoY	YTD, Ending January	Last 12-Months, Ending January	3-Year CAGR

- January was a surprisingly strong month for whole milk powder trade. In particular, New Zealand exports jumped 24% (28,529 MT) driven by surprisingly solid milk production during their seasonal peak.
- South American exporters were primarily sent to Brazil, while rising NZ shipments focused on MENA (+33%, +15,709 MT) and China (+28%, +10,457 MT), both of which markedly increased. However, cooling much of the optimism is the fact that the China's gain came against weak year-over-year comparisons.

Global WMP Trade to World

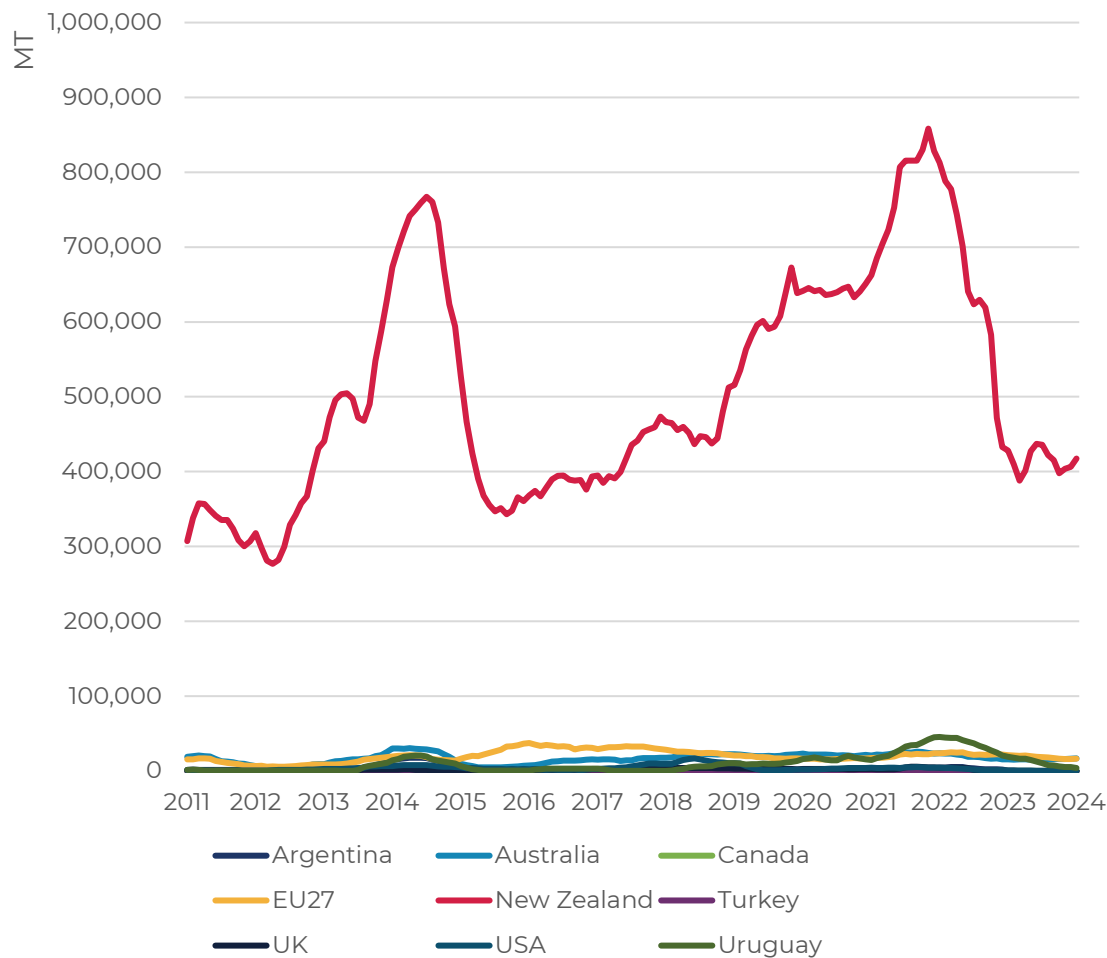


Global WMP Trade to World

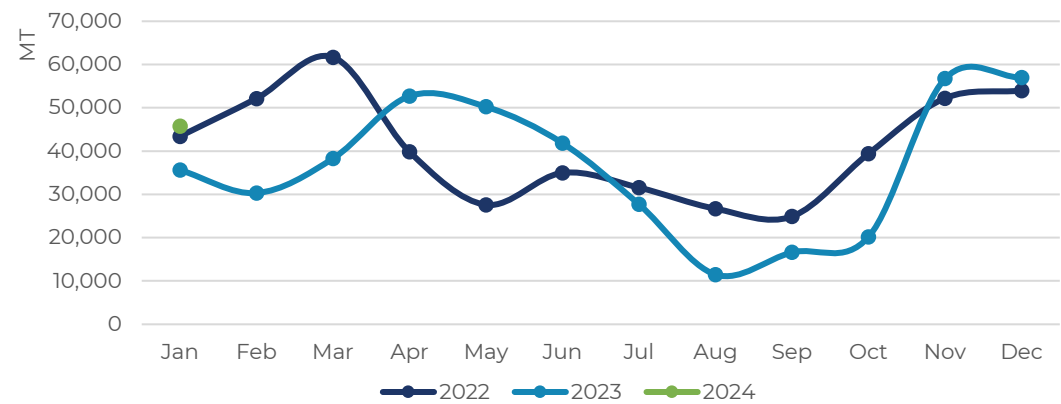


Whole Milk Powder – China

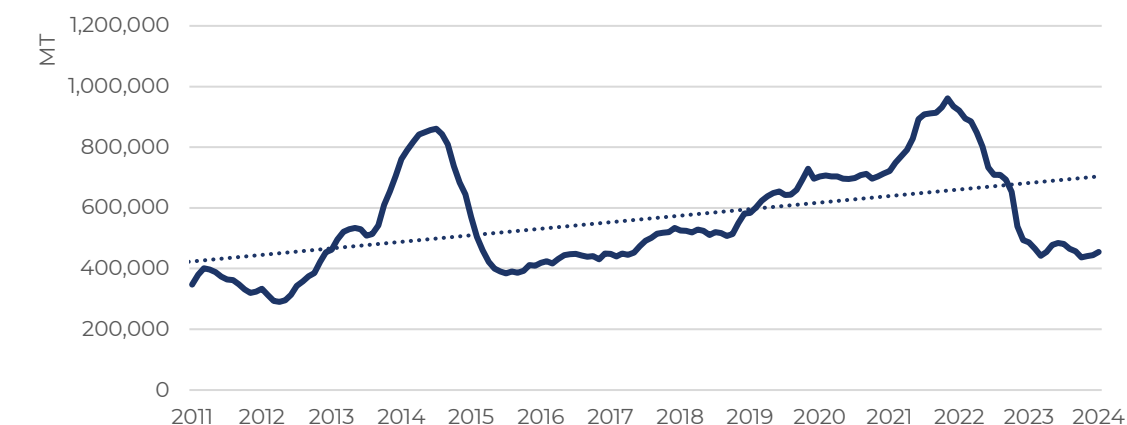
Global WMP Trade to China+HK



Global WMP Trade to China+HK

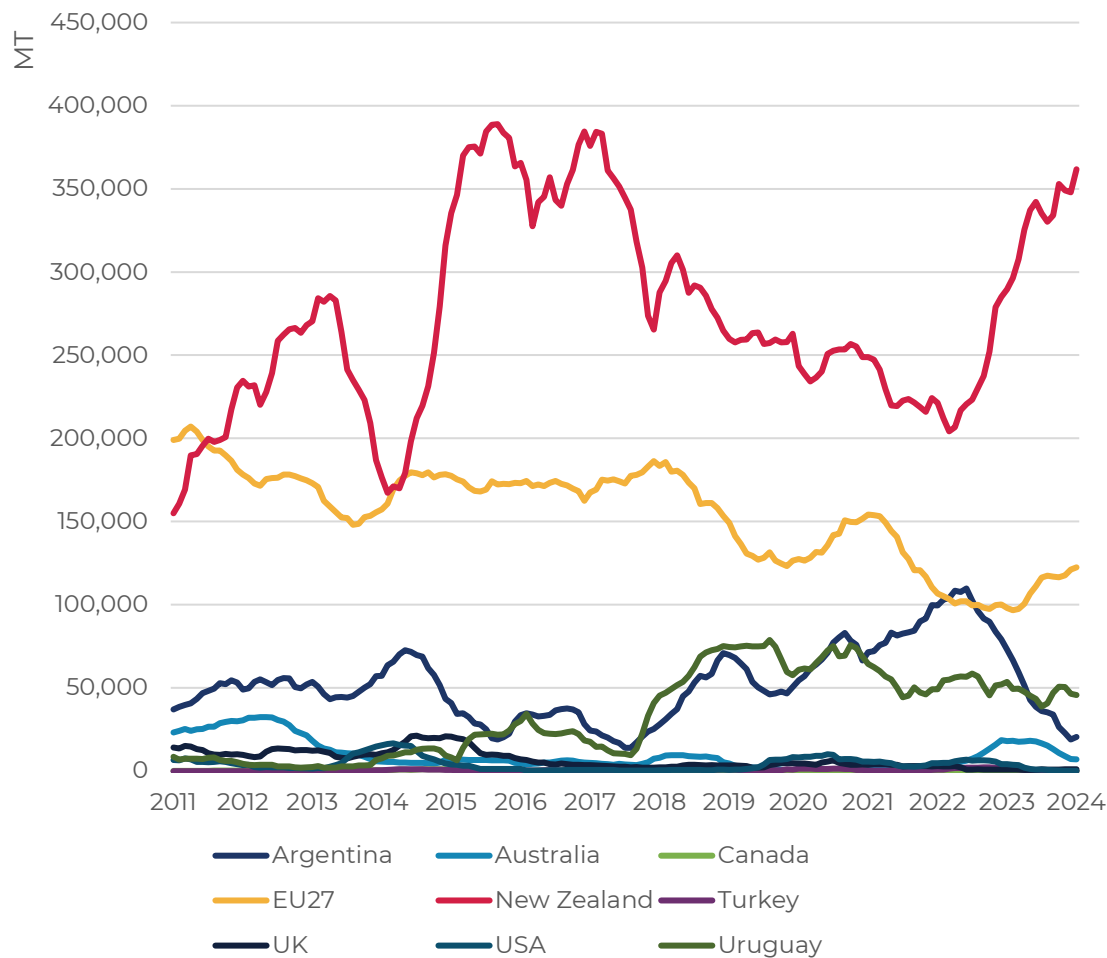


Global WMP Trade to China+HK

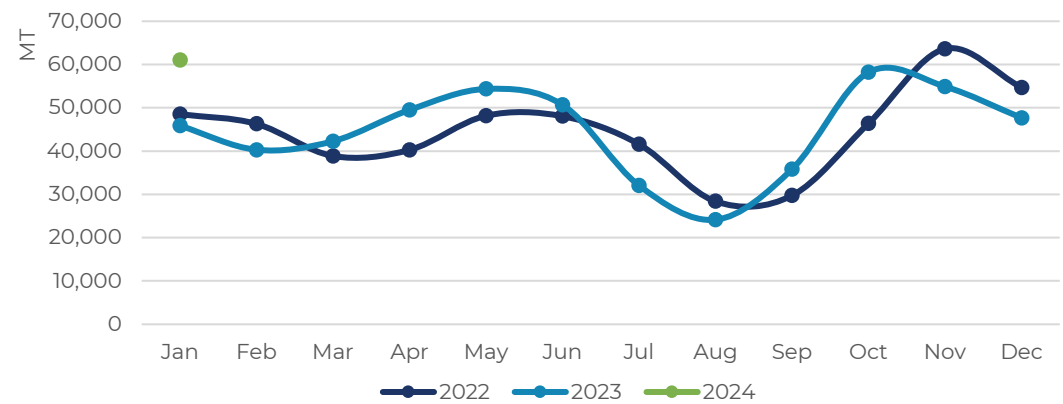


Whole Milk Powder – MENA

Global WMP Trade to MENA



Global WMP Trade to MENA

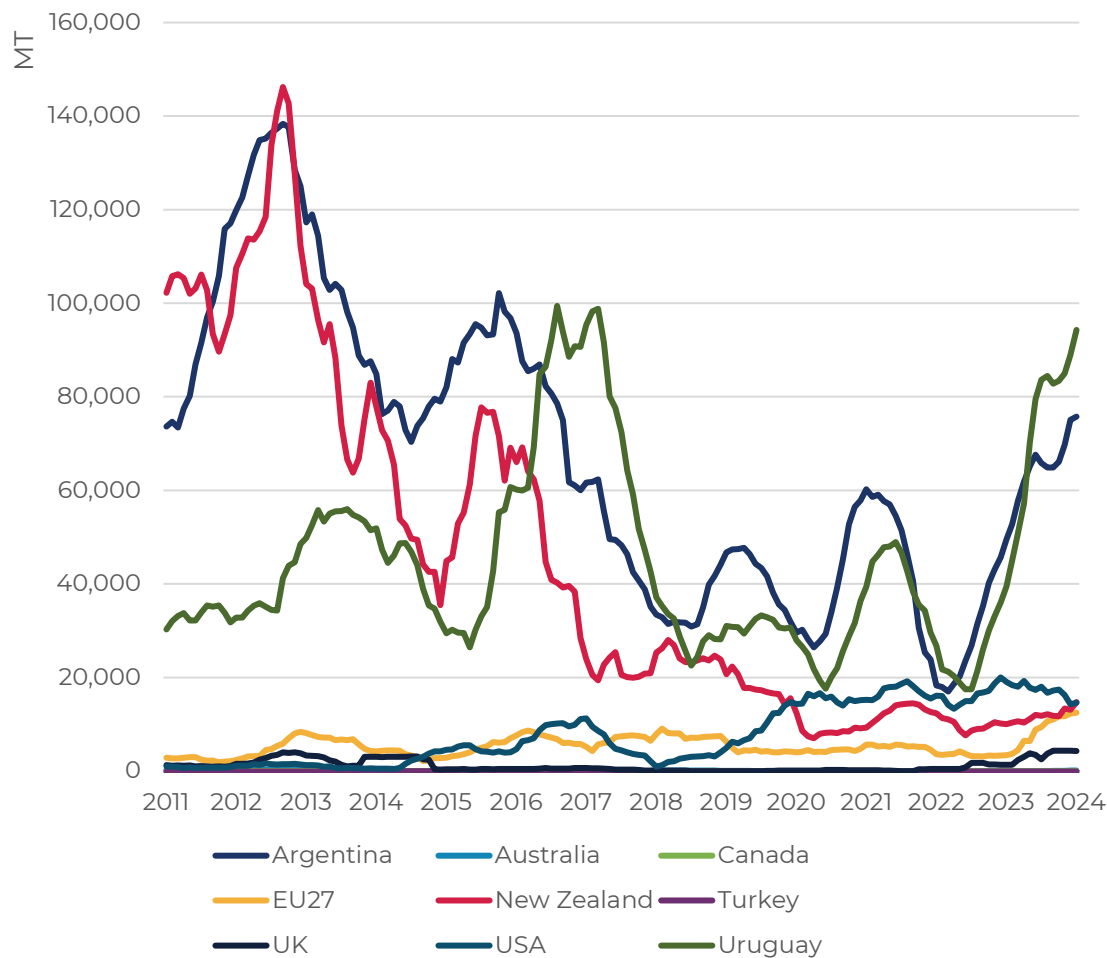


Global WMP Trade to MENA

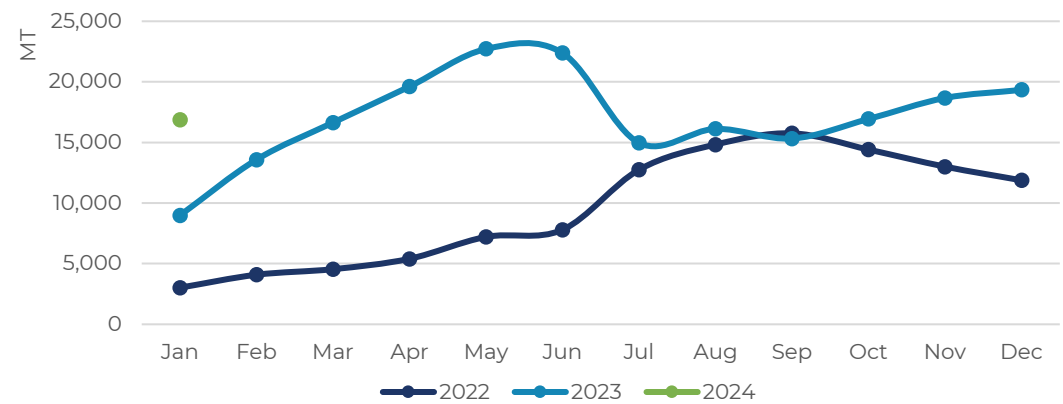


Whole Milk Powder – South America

Global WMP Trade to S. America



Global WMP Trade to S. America



Global WMP Trade to S. America





Reach Out for Questions or Comments

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