

# GLOBAL DAIRY WEEKLY

A Newsletter Covering Major Events in International Dairy Markets

## Highlights

1. Pulse Prices Rise
2. Argentina's WMP Exports Surge
3. US December Output Lifts
4. EU Milk Growth Continues to Slow
5. Australian December Milk Output Up

## First Take

European milk production is still growing but at a slower pace in some countries. French weekly output increased just 1.8% year-over-year the week ending January 10, a 20-week low, and German milk production rose 5.6% year-over-year, a 20-week low. In Germany, November average farmgate milk prices fell below the prior year's average price in the sharpest monthly decline so far this year. Slowing milk output should follow lower farmgate prices, but so far, production in Europe has remained relatively resilient.

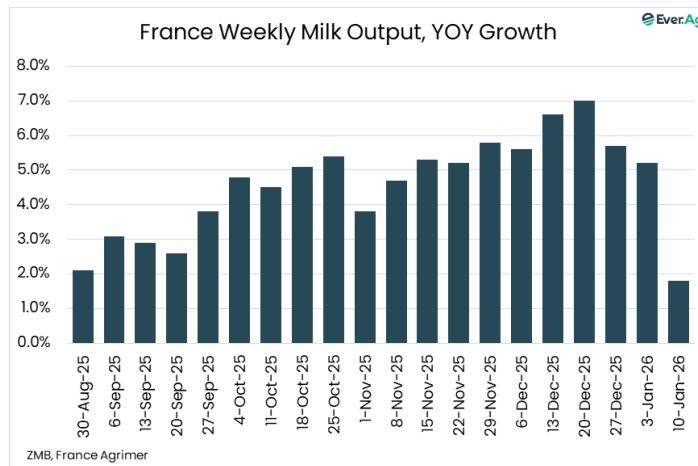
In the US, December milk production rose in line with expectations as more cows were added. Total 2025 milk output reached an all-time high. The US cow herd remains historically large (+212,000 year-over-year) despite a downward revision in November's cow numbers. Added cow capacity and cheaper feed are keeping a firm floor under production volumes into 2026 despite some producers now receiving their weakest milk prices since the pandemic.

## Global Indicators

	Price	US	EU	NZ*
	USD/MT	CME	Trade/EEX	NZX/GDT
SMP	Spot	\$2,921	\$2,583	\$2,650
	3-Month	\$2,947	\$2,745	\$2,985
Butter	Spot	\$3,472	\$4,462	\$5,320
	3-Month	\$4,233	\$4,826	\$5,325
Cheddar	Spot	\$2,987	\$3,816	\$4,700
	3-Month	\$3,609		\$4,594
WMP	Spot		\$3,523	\$3,400
	3-Month			\$3,585
Whey	Spot	\$1,620	\$1,221	
	3-Month	\$1,361	\$1,204	
Exchange Rate (USD)		1	1.17	0.59
Recent milk YOY		4.4%	4.5%	3.1%
Farmgate Price (US c/kg)	44.76	58.43	45.61	
Corn (US c/kg)	16.79	22.49		

\*Latest GDT result, other prices are NZX futures

## Chart of the Week



European milk production remains resilient and continues to lift year-over-year, but weekly production data is showing signs of easing output. [Read More](#)

# Global Dairy Markets

**Pulse Prices Rise** : This week's GDT Pulse event was a positive one for sellers as prices for both powders rose at GDT #396.

Fonterra Regular WMP C2P rose 0.9% from GDT #396 to US\$3,415/t, and instant WMP C2 added 0.9% to US\$3,510/t. SMP was the star of the show with significant lifts in price. Fonterra MH SMP C2 prices increased 5.5% to US\$2,790/t. Arla MH C2 settled at US\$2,715/t, adding US\$230/t on the price achieved at the previous Pulse.

**Argentina's WMP Exports Surge** : Argentina's WMP exports rose 113% YOY in December, reflecting continuously stronger exports to Algeria and despite weaker shipments to Brazil. Annualised WMP exports were ahead by 22.2% or 26,942t.

Meanwhile, cheese exports rose 18.8% YOY in December to 9,496t, a 13-month high. Trends were patchy all year to end 2025 down 0.9%.

**Indonesian Free Meals Benefit Dairy** : Dairy company PT Ultrajaya Milk Industry and Trading Company is investing in Indonesia's Free Nutritious Meal program, which provides daily meals to 82m school children, toddlers and pregnant women to prevent malnutrition.

The dairy company is investing US\$67m, to supply UHT milk for the program from its new factory, which has three UHT milk production lines in 125ml and 200ml packages. Another production line will be added in March 2026. The factory is supplied with raw milk from the company's farms with a total of 7,000 cows—with another 4,000 dairy cows added to strengthen domestic supply.

## USA Markets & Policy

**Winter Storm Blankets Country in Snow** : A historic winter storm swept across the US earlier this week, covering the Midwest in snow and ice. The weather caused barn collapses, power outages, livestock evacuations and economic losses which are expected to exceed US\$100bn.

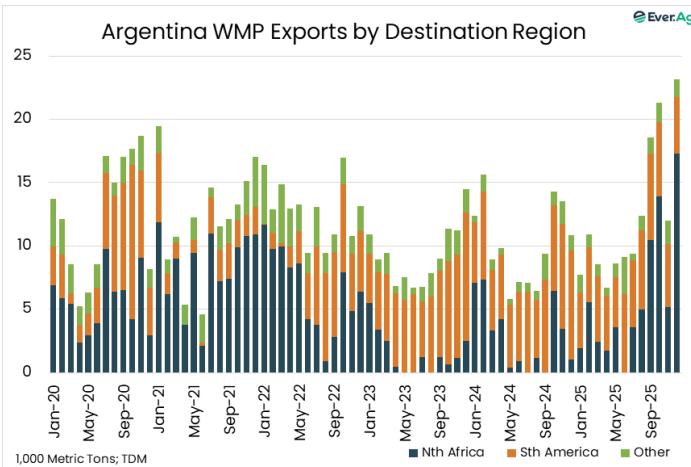
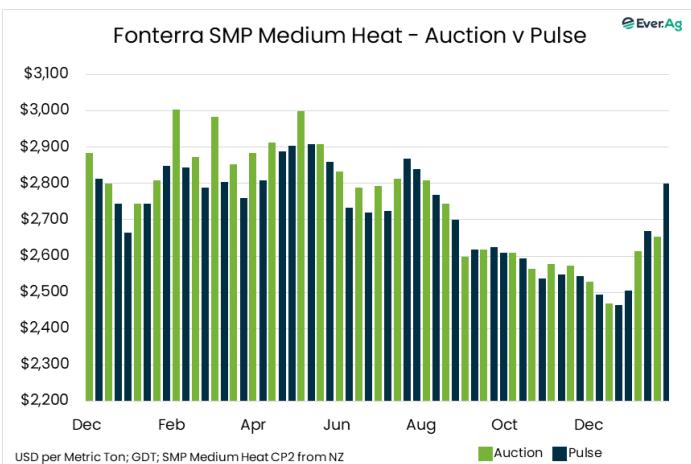
Prior to the storm, USDA encouraged farmers

to prepare for severe weather. The Department offers financial support through several programs to assist farmers and ranchers impacted by natural disasters.

**December Milk Output Lifts** : US milk production rose 4.4% YOY in December, in line with November figures and pre-report expectations.

Cow numbers increased by 9,000 head in December (+2.3% YOY). However, after a downward revision to November data, the reported herd size was slightly lower than in the previous report. Even so, the national herd

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remains more than 200,000 head larger than a year ago, providing ample capacity to sustain solid output. As expected, California output was up considerably year-over-year (+9.6%) given last December was highly impacted by HPAI. However, California was still up 0.9% from December 2023 levels.

**Cold Storage Report Bullish for Butter :** Butter inventories for December landed at 90,413t, down 5,048t from November and 7% lower year-over-year. It's fairly unusual to see stocks drop between November and December. We expect this report to raise some eyebrows and perhaps breathe some more life into the butter market.

Total cheese stocks finished December at 622,424t, a 1.3% gain from December 2024. The market has been telling us for weeks that there's plenty of cheese around, but December only had a modest increase in stocks when compared to recent production growth near 6%. It seems likely that the export market took more, but a weaker-than-average move from month-to-month is unlikely to drastically change price dynamics.

**Consumer Moods Improve :** Sentiment improved from the prior month in the final January reading of the University of Michigan's monthly consumer survey. The January reading came at 56.4, up from 52.9 in December, hinting that consumers are feeling a little better about the economy.

The slump reported in the consumer index in recent months is one of the deepest in the survey's history, thought. Consumers have been continuously frustrated with price increases as inflation remains above the long-run trend.

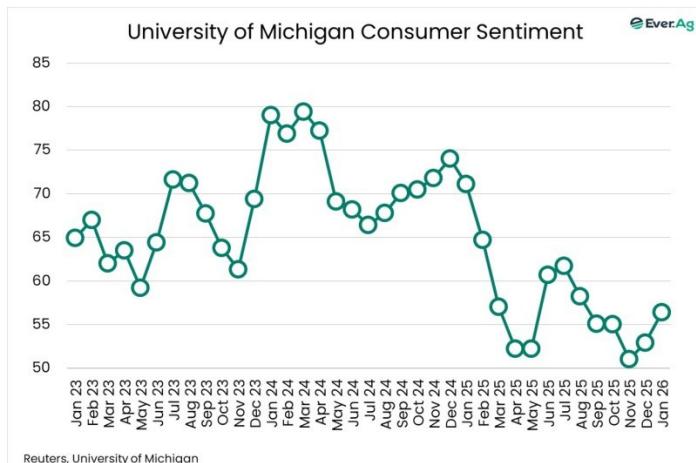
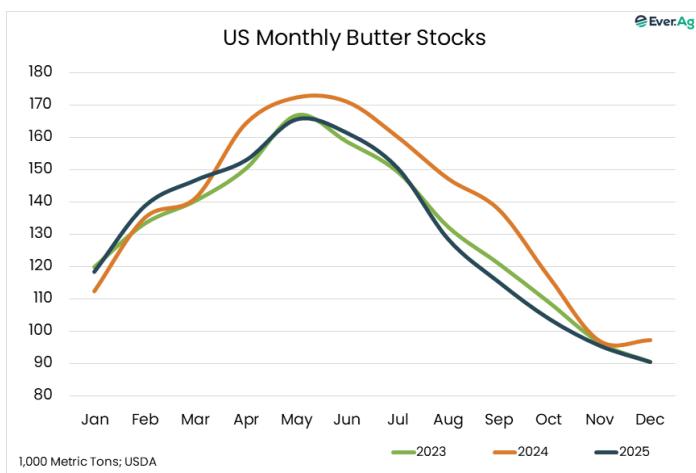
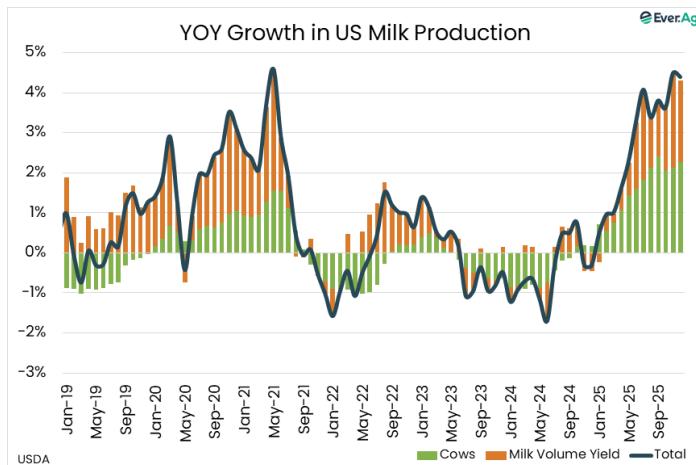
## European Markets

**EU Growth Slows :** In the latest available data for week 2 (ending 10 January 2026), French milk output increased 1.8% YOY, a 20-week low. In the same week, German milk production increased 5.6% YOY, a 15-week low. UK milk supplies rose 3.7% YOY in the first 17 days of January.

**EU-India FTA: Mother of All Deals :** Shortly after the obligatory handshakes in front of the EU and India flags, European Commission president Ursula von der Leyen called the proposed EU-India

FTA, 20 years in the making, "the mother of all deals." The EC president said the proposed deal sent a strong message that cooperation is the answer to global challenges.

The agreement opens 99.5% of the European market by traded value over the next seven years with 90% of good moving to zero-duty from day one. India opens 30% of the market when the FTA comes into effect with tariffs eliminated on 96% of goods traded by value after 10 years. Some EU



food exports will have tariffs removed completely, including olive oil, breads, pastries and pasta, while some meats, spirits and beer will see tariffs heavily reduced. The EC has maintained tariffs on sensitive products, which includes milk powder. Negotiations on a separate deal for geographical indicators are ongoing.

FoodDrinkEurope called the deal a key milestone and a positive development for EU food and drink. The organisation welcomes platforms for dialogue and cooperation set up under the FTA to address non-tariff barriers. Copa-Cogeca praised the reduction or removal of prohibitive tariffs on a range of goods, but stressed the importance of safeguarding strong food safety and production standards.

**German Milk Prices Decline** : German news outlet ZMB reports that milk prices fell in November with price disparity widening across states.

The national average payout recorded its sharpest monthly decline so far this year, down 3.44c/kg to 46.50c/kg for conventional milk with 4.0% fat and 3.4% protein, according to the Federal Office for Agriculture and Food (BLE). The highest prices were recorded in Bavaria at 50.82c/kg and the lowest in Schleswig-Holstein at 42.71c/kg.

The price difference between conventional and organic milk also widened further in November 2025. Prices for organic milk were down marginally by 0.14c/kg to 66.86c/kg in November, widening the gap from conventional milk to more than 20c/kg—more than double compared to the beginning of the year.

**UK Cheese Supplies Edge Up** : Record UK milk volumes have lifted dairy product supplies as milk output rose 5.6% YOY in Q3 (July to September) according to AHDB.

Cheese supplies rose 5% on the prior year. Cheese imports rose due to higher imports from France, Germany and Belgium and exports lifted on the prior year with demand supportive despite higher prices. As a result, cheese supplies were up 3%. Butter inventories were down by 3% as imports declined 24% on the previous period. Production in Q3 rose 8% YOY and exports also picked up.

**Bluetongue, Bird Flu Found in European Herds** : A preliminary test found Bluetongue virus in Northern Ireland for the first time since BTV-3 was officially confirmed in December last year. The Bluetongue case was detected in samples for pre-movement testing on high-risk animals and will not require an extension of the temporary control zone.

Financial support for pre-movement testing in the temporary control zone was announced earlier in January. For animals to be moved out of the zone, negative testing, proof of negative pregnancy test or proof of previous Bluetongue vaccination were required.

Meanwhile in the Netherlands, antibodies against avian influenza have been detected in a dairy cow in the province of Friesland. It is the first confirmed case of bird flu in cattle in Europe.

In a statement, the Dutch Ministry of Agriculture said there is no evidence the virus is circulating among dairy cows on the impacted farm or other farms. Animal testing and milk sampling did not find any active virus, but antibodies were detected in milk samples from one cow, indicating a prior infection.

## Oceania Market

**Fonterra's Organic Expansion** : Fonterra is targeting organic expansion in the South Island with a plan to process more organic dairy products at its Stirling site from 2028-29. The co-op is targeting farms interested in converting in Southland and up to Canterbury.

Fonterra organics manager Andrew Henderson said the site was chosen for its proximity to milk in the region. Farmers in the area have expressed interest in converting, and existing organic suppliers, previously supplying OCD, are interested in continuing organic supplies. Henderson said the viability of organics depends on how much milk is supplied and where farms are located in relation to the plant.

**Heavy Rain, Flooding Across NZ North Island** : Heavy rain caused significant floods across New Zealand's North Island as a tropical low following a strong and extremely humid northeasterly flow approached New Zealand from the north during

the week.

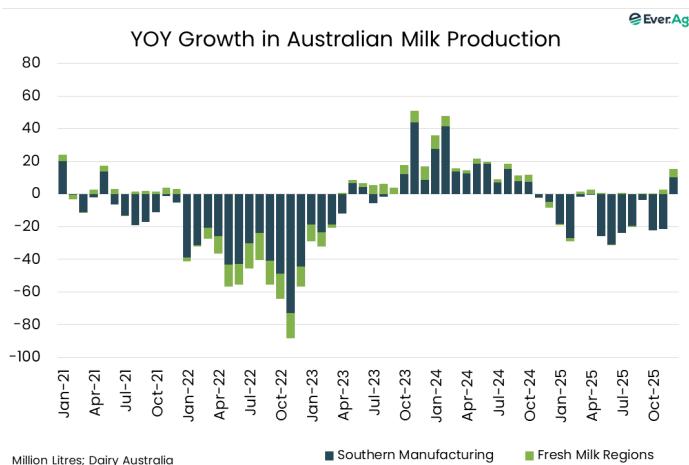
Weather forecaster MetService issued red heavy rain warnings for Northland, Bay of Plenty, Gisborne and Coromandel Peninsula. In Auckland, an orange heavy rain warning was issued. State of emergencies were declared across several council areas. In one council in Northland received more than a whole summer's worth of rain (260mm), when 285.5mm rain was recorded over the weekend.

**More Australian Milk in December :** After months of year-over-year declines in national milk production, Australia recorded 1.8% YOY growth in December milk output—albeit on a low comparable.

Major producing region Victoria's milk output rose 1.6% YOY for the month, with year-to-date output trailing 2.4% behind the previous season. Victorian production rose year-over-year for the first time since April 2025. In NSW, output continues to increase, lifting +4.2% YOY with seasonal output +1.9% ahead of the prior year. Tasmanian output rose 3.2% YOY, taking seasonal output 1.8% ahead of the prior year.

**Australian Inflation Lifts :** Inflation rose in the 12 months to December 2025, according to the latest Australian Bureau of Statistics (ABS) data. The consumer price index rose 3.8%, up from +3.4% in 12 months to November. The December data was ahead of expectations for forecasts of 3.6%. Higher prices for housing, recreation and culture along with food and non-alcoholic beverages drove increases in the index.

Prices for dairy and related products eased



slightly in the 12 months to December, rising +2.9% for the period after peaking in the 12 months to November at +3.2% following monthly price increases since August. Prices increased in the year to December for other food groups, including bread and cereal products (+1.5%), meat and seafoods (+4.4%) and fruit and vegetables (+4.0%).

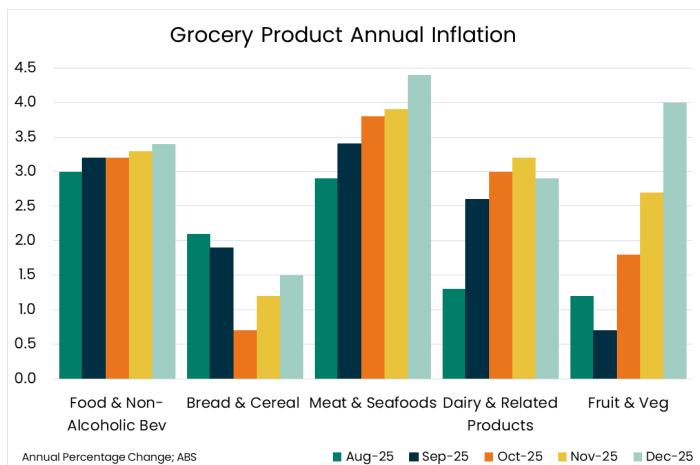
Meanwhile, the Australian dollar gained significantly as a result of hot inflation and a weaker US dollar, rising above US\$0.70 earlier this week for the first time in three years. With higher December inflation and a stronger Aussie dollar, analysts are suggesting the Reserve Bank could increase interest rates.

**Aussie Heatwave Breaks Record Temps :** An intense heatwave has moved across southeastern Australia this week with a new statewide maximum temperature of 48.9 °C recorded in northwest Victoria on Tuesday. The state's premier confirmed eight active bushfires across the state with several structures destroyed. Farmers are working to protect property and livestock with previous fires burning crops.

An emergency warning continues for a bushfire in Victoria's Otways region with total fire bans and extreme fire danger warnings across the state. Despite cooler conditions in southern parts of Victoria and South Australia, temperatures in the interior will continue above 40 °C before a cold front brings relief by the weekend.

## Company News

**IMF Crisis Deepens :** Danone SA and Groupe Lactalis have issued product recalls about a



month after Nestle first recalled formula across 60 markets globally. Nestle's product recall concerned specific batches of SMA infant formula and follow-on formula due to the potential presence of the toxin cereulide. The toxin was discovered in an ARA oil ingredient provided by a leading supplier.

Lactalis has recalled six batches of the Picot brand infant formula in France while Danone removed its Dumex Dulac products in Singapore. The recall is at the request of Singapore's food safety regulator and follows a prior recall of five Nestle products.

Consumer watchdog Foodwatch International is preparing a lawsuit against food manufacturers and national food safety authorities, questioning their roles in handling the recalls.

**Arla Foods Plans New Chilled Hub :** Arla Foods is building a new central distribution centre (CDC) in Northamptonshire in partnership with XPO Logistics. With the new centre, Arla consolidates its chilled palletised products, including cheese, butter and yogurts, to better meet distribution demand.

The CDC becomes operational by late 2027 and is expected to improve supply chain resilience and reduce road miles all while boosting sustainability. The facility is being built to align with environmental objectives.

**EC Approves Grant For Italian Dairy Expansion :** The European Commission (EC) has approved a €18.2m EU state aid measure to support expansion of an Italian cooperative's production facility.

Centro Latte Bressanone Societa Agricola Cooperativa is expanding its existing mozzarella and ricotta lines and adding new products such as burrata. It is also optimising the production cycle while maintaining high quality and environmental sustainability standards.

**Fonterra Sale Expected to Settle in Q1 :** Fonterra's sale of Mainland Group is expected to settle in the first three months of 2026, according to a notice of meeting released last week. The note announced a special meeting on 19 February in which a second vote to approve the divestment is held. At the first vote in October, 88% of shareholders voted in support of the NZ\$4.2bn sale of the Mainland Group to Lactalis.

The Australian Foreign Investment Review Board has approved Lactalis' acquisition. According to Fonterra, a February vote means capital returns to shareholders and unit holders soon after the transaction is complete. The capital return requires at least a 75% vote in favour of the divestment, which is expected to return NZ\$3.2bn to shareholders.

**LIC H1 Revenue Lifts :** New Zealand's Livestock Improvement Corporation's (LIC) revenue rose 5% YOY in H1 to NZ\$195m, with net profit after tax down 13.5% to NZ\$33.8m. For the period, the company reported underlying earnings of NZ\$36.8m, up 9.3% with a forecast range of NZ\$20m–NZ\$24m, unchanged.

The H1 results are due to revenue from core artificial breeding and herd testing services, which are seasonal. The company has commenced multi-year investment into customer-facing systems and process improvements, including SaaS tools. Net profit after tax is negatively impacted by one-off costs of NZ\$3m in implementation costs.



135 S. Lasalle St. • Suite 3400 • Chicago, IL 60603 • 312-492-4200 • [insights@ever.ag](mailto:insights@ever.ag)

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