

A Newsletter Covering Major Events in International Dairy Markets

Highlights

1. GDT Index Rises
2. EU Cheese Exports Reach Record High
3. US Inflation Lower Than Expected
4. More Milk in Germany and France
5. NZ Milk Price Forecast Improves

First Take

This week's GDT event #398 provided another positive result, with increases across all products except Cheddar. Seasonally falling volumes on offer certainly help, along with stronger purchases of WMP, butter and AMF by North Asian buyers. Global dairy markets have unexpectedly rallied in early 2026, but we remain cautious as milk production continues to expand.

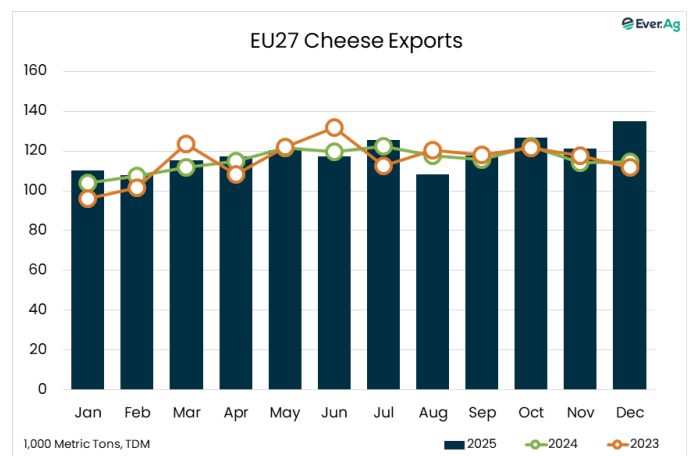
EU27 cheese exports during December 2025 were at an all-time high, increasing 17.6% YOY for the month. There were record shipments to the Middle East, Northern Africa and non-EU Europe, along with strong YOY growth in shipments to Japan. With stronger production in recent months and competitive prices, SMP exports also continued to improve and were up 28.8% YOY in December.

Meanwhile, there was mixed US demand news with January inflation lower than expected and employers adding 130,000 jobs, but December advanced retail sales disappointed.

Global Indicators

	Price	US	EU	NZ*
	USD/MT	CME	Trade/EEX	NZX/GDT
SMP	Spot	\$3,522	\$2,920	\$2,870
	3-Month	\$3,197	\$3,087	\$3,180
Butter	Spot	\$3,759	\$5,006	\$5,760
	3-Month	\$4,233	\$5,441	\$6,445
Cheddar	Spot	\$3,307	\$3,993	\$4,700
	3-Month	\$3,516		\$4,690
WMP	Spot		\$3,754	\$3,570
	3-Month			\$3,825
Whey	Spot	\$1,631	\$1,275	
	3-Month	\$1,467	\$1,305	
Exchange Rate (USD)		1	1.19	0.66
Recent milk YOY		4.4%	5.4%	3.1%
Farmgate Price (US c/kg)		43.17	57.08	51.16
Corn (US c/kg)		16.87	22.62	
*Latest GDT result, other prices are NZX futures				

Chart of the Week



EU cheese exports reached an all-time high in December, with exports up 22.1% YOY in milk solids equivalent terms. [Read More](#)

Global Dairy Markets

GDT Index Rises 3.6% : As expected by the futures market, the overall index rose for the fourth consecutive time at GDT auction #398, with increases across all products except Cheddar. North Asian participants bought more WMP, butter and AMF relative to the same event last year.

Powder prices pushed higher. Average WMP prices increased 2.5%, with Fonterra Regular C2 pricing gaining 1.8%. Average SMP pricing rose 3.4%. The Fonterra MH SMP C2 price rose 2.1% from the prior auction to \$2,980/t, but with a 1.5% decline in the front contract. Southeast Asia SMP purchases picked up following last auction's lighter-than-usual activity.

Average butter prices pushed nearly 10% higher. NZ C2 butter prices jumped more than 12%. AMF increased 3.5% from last event. The AMF discount to butter is now sitting back closer to \$950/mt - the largest spread since October 2025.

Cheese was a mixed bag, even within product lines. NZ cheddar fell 0.8%, with C3 and C4 losses outweighing nearby gains. Mozzarella gained 5.0% from the previous auction to reach \$3,920/t (\$1.76/lb). Lactose prices rose 7.7%, the second consecutive gain.

EU Cheese Exports at an All-Time High: December exports rose 22.1% YOY in milk solids equivalent (MSE) terms, with stronger shipments across all key commodities except lactose. MSE exports increased 12.5% in the last quarter, led by SMP and cheese. Cheese exports were at an all-time high of 134,835t and increased 17.6% YOY for the month, driven by stronger shipments across all varieties and led by Cheddar. There were record exports to the Middle East, Northern Africa and non-EU Europe along with strong YOY growth in shipments to Japan.

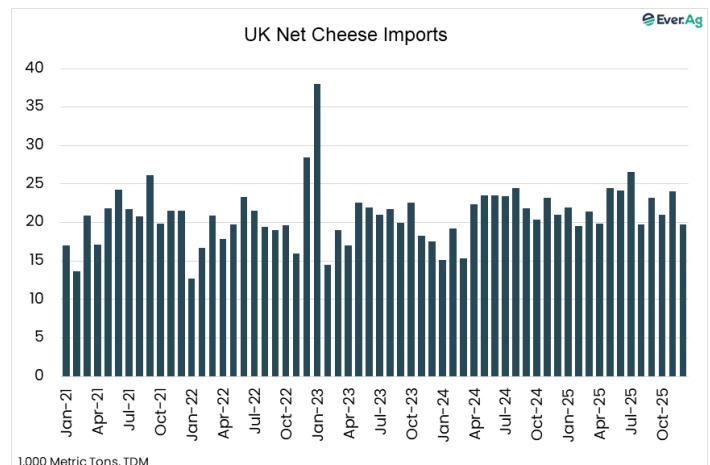
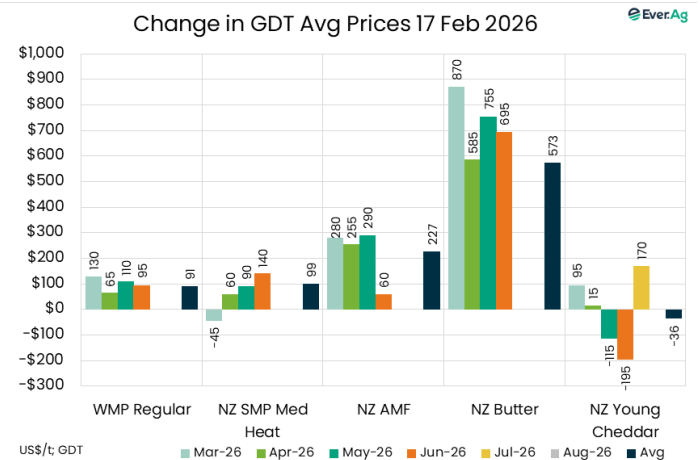
With stronger production and competitive prices, SMP exports continued to improve and were up 28.8% YOY in December. Monthly December volumes were 4.3% higher than the prior 12-month average. Algeria and Saudi Arabia accounted for most of the increase during the month. Meanwhile, with stronger shipments to the

Middle East and the UK, exports of WMP rose 25.7% YOY on a low prior-year comparable, with monthly volumes 31.9% above the prior 12-month average.

Butter exports rose 25% YOY in December with weaker average shipped prices which were at a 16-month low, and exports to the US alone were +21.3% YOY. Meanwhile, imports of US butter in December were 566t with 2025 shipments at 5,450t.

UK Net Cheese Imports Fall in December : We estimate UK December total dairy imports

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increased 6.9% YOY in milk solids equivalent (MSE) terms. MSE imports were 2% higher in 2025. Meanwhile, UK MSE exports rose 24.7% YOY in December, and shipments increased 11.9% in 2025.

Net imports of cheese fell 5.7% YOY in December and were flat in 2H-25. Total cheese imports were up 7.6% YOY in December, but the monthly volume was 0.7% below the previous 12-month average. Total cheese exports in December were up 26.3% YOY (driven by Cheddar) and rose 4.4% in 2025.

China's Import Duties on EU Cheese and Cream Take Effect : China announced definitive import duties on EU cheese and cream effective 13 February 2026 for a period of five years. The final tariffs range from 7.4% to 11.7%, depending on company classification: Category 1 (selected companies under investigation - 7.4% to 11.7% additional duty); Category 2 (cooperating companies not individually sampled - 9.5% additional duty); and Category 3 (other EU companies - 11.7% additional duty).

The differences between the provisional tariffs (applied from 23 December to 12 February) and the final duties will be refunded.

Iran's SMP Exports Surged in 2025 : Iran's SMP exports increased 37% in 2025 to 181,668t. Pakistan and Iraq were major markets, jointly accounting for 60% of total shipments, followed by Afghanistan and UAE. However, Q4-25 shipments declined 16%, driven by the impact of foot and mouth disease, which affected local milk production, along with geopolitical uncertainty.

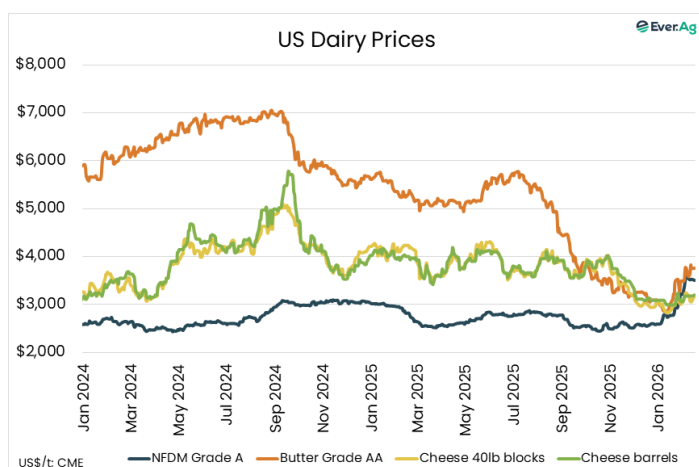
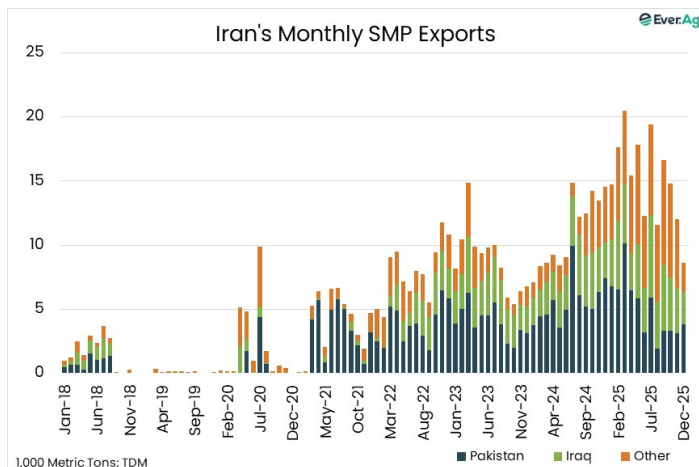
USA Markets & Policy

Cheese Prices Rally Post-GDT : Following this week's positive GDT auction, cheese led the CME market higher, with blocks and barrels each rising to US\$3,197/t. Six lots of blocks and one of barrels traded. Spot dry whey rose to US\$1,631/t after being flat for four consecutive sessions. NFDM declined to US\$3,505/t, with one load exchanged. Butter held steady at US\$3,759/t, with four lots changing hands. Today's spot session brought the implied Class III price higher, but the implied Class IV price slipped.

Higher Fluid Milk Sales in December : US December 2025 fluid milk sales increased 1.2% YOY. Conventional milk sales rose 1.5% YOY for the month, with whole milk sales up 4.6%. Conventional fat-reduced milk sales were down 1.5% YOY in December. Organic milk sales declined 2.6% YOY for the month and represented 6.9% of overall sales.

January Inflation Lower-Than-Expected : Headline inflation was reported at +2.4% YOY in January, an eight-month low, with core inflation (which excludes volatile energy and food prices) at +2.5% YOY, the lowest since March 2021. The headline increase was lower than pre-report market expectations, driven by lower energy costs along with lower prior-year comparables.

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“Food away from home” inflation remained high in January at +4% YOY, while “food at home” was reported at +2.1% YOY. The Ever.Ag Retail Breakfast Index came in at \$2.00 per serving, up 0.6% on the month but down 16.6% on the year.

January Payroll Expansion Topped Expectations : Led by healthcare, US employers added 130,000 jobs in January, up from +48,000 in December (revised down from +50,000 initially) and +111,000 from a year earlier. This compares to analysts’ expectations of +70,000 jobs. The national unemployment rate fell to 4.3%, down from 4.4% in December but up from +4.0% in January 2025.

For the week ending February 7, the US Bureau of Labor Statistics reported initial jobless claims at 227,000 filings, down 5,000 on the week but up 12,000 in YOY terms.

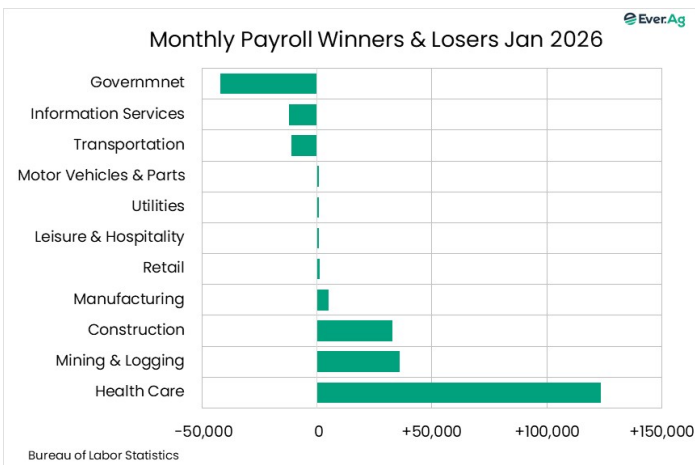
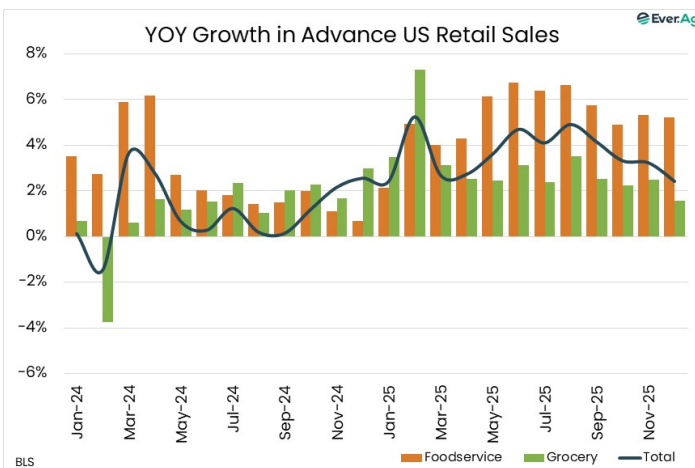
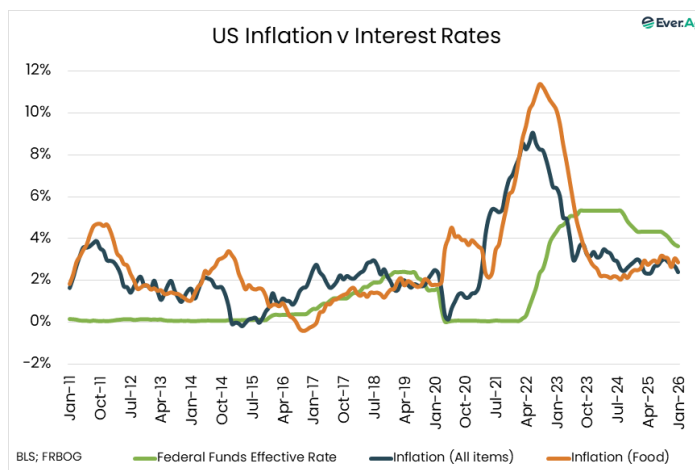
December Retail Sales Fall Below Expectations : Advance estimates of US retail and food services sales for December 2025 were US\$735bn, flat from the prior month and up just 2.4% YOY, an 11-month low. This was in line with headline inflation but below pre-report market expectations. Health and personal care retailers did well (+6.9% YOY), while furniture and home furnishing outlets did not (-4.8%).

December food service and grocery store sales increased by 5.2% YOY and 1.6% YOY, respectively. Grocery store sales growth was below food-at-home inflation at +2.1% YOY.

The Midwest Faces More Dry Weather : It was another dry week across the Midwest, with little to no precipitation. Snow cover remains across the northern part of the region and portions of the Great Lakes, keeping soils frozen. While most of the Midwest was unchanged this week, widespread degradations were made across portions of Illinois and Missouri where three- to six-month precipitation deficits grew, with low stream flows and below-normal groundwater levels. In Central and Southern Illinois, water table levels remain well below the tenth percentile at many monitoring sites, and streams are running near or below seasonal norms.

European Markets

More Milk in Germany and France : In the latest available data for week 5 (ending 31 January 2026), French milk output increased 5.9% YOY, a six-week high. In the same week, German milk production increased 6.1% YOY, a three-week low. UK milk supplies rose 3.6% YOY in the week ending 7 February 2026.



Oatly Loses Legal Battle in the UK: In a major win for the dairy industry against plant-based alternatives, regulators in the UK made the decision that Oatly can no longer use the slogan “Post Milk Generation” for oat-based foods and drinks. Oatly criticised the ruling, claiming it is not in the best interest of the British public and that it creates confusion while strengthening the advantage for “Big Dairy.” The case against Oatly was driven by Dairy UK, an industry body led by executives at UK’s major dairy industry players such as Arla Foods UK, Lactalis McLelland and Leprino Foods.

Oceania Market

Below-Average Rainfall in January : According to Dairy Australia’s January 2026 Production Inputs Monitor, most dairy regions had below-average rainfall in January, with declining soil moisture levels. Water levels in major Murray-Goulburn river system storages remained below the prior year except in Glenmaggie. Average monthly water prices in Northern Victoria and Murray Irrigation are near six-year highs. Meanwhile, feed prices remain relatively steady, and urea prices are supported by tight global supplies.

Dairy Industry Sounds the Alarm Over Trade Deal : As the federal government moves closer to signing an FTA with the EU, the Australian dairy industry is raising urgent concerns the deal could have long-lasting, negative implications for local farmers. Industry bodies are concerned about external regulatory controls and that key dairy outcomes under the agreement appear to favour EU interests with Australian farmers potentially

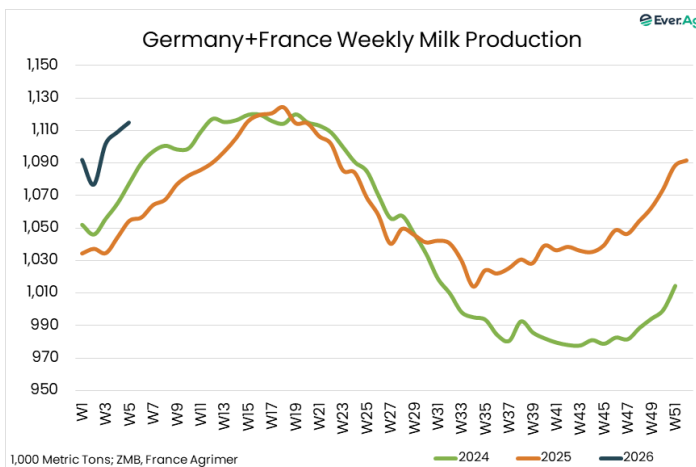
facing disproportioned risk.

Australia is a large net importer of EU dairy products, and farmers are alarmed this is not a level-playing field, particularly as EU farmers benefit from large subsidies relative to local producers who operate without much support. Australian farmers are also concerned about higher cheese imports from the EU if the \$1.20/kg tariff is removed. In addition, proposed GI rules could restrict the use of established product names (e.g., feta and Parmesan), which could threaten processors and the regional economy.

ANZ Bank Lifts Its Milk Price Midpoint to \$9.50/kgMS : Following positive trends on GDT in early 2026, ANZ raised its NZ current season farmgate milk price forecast to \$9.50/kgMS - up from \$8.90/kgMS. Looking ahead to the 2026-27 season, ANZ opened with a forecast of \$8.70/kgMS on the basis “that forecast assumes dairy prices drift lower once the current rush loses momentum and the reality of strongly growing global supply reasserts itself.”

Support for NZ-India FTA : Andrew Hoggard, a dairy farmer and Associate Agriculture Minister, expressed public support for his political party backing the NZ-India FTA once it reaches Parliament due to ACT’s pro-free trade stance, even though the deal does not deliver all the dairy access NZ hoped for. Mr. Hoggard also clarified visa adjustments under the FTA are skills-based and limited and are not a broad immigration increase. Critics of the agreement argue key products such as milk powders and cheese are effectively excluded from the deal as it is India’s long-term policy to protect its dairy industry.

Lactalis Commits \$100m to Mainland : As the incoming owner of Mainland Group, Lactalis pledged \$100m in capital expenditure for new investment, integration and global expansion as its acquisition progresses through the regulatory approval process. The \$4.2bn transaction ranks as one of the largest NZ corporate deals, with about \$3.2bn set to be returned to Fonterra shareholders.



Company News

McDonalds Beats Quarterly Expectations :

McDonald's reported quarterly earnings and revenue that topped analysts' expectations as its value push wins back customers. The fast-food company reported fourth quarter net income of US\$2.16bn, up from US\$2.02bn a year earlier.

Net revenue climbed 10% to US\$7bn. The company's same-store sales grew by 5.7%. Expected growth was 3.9%. US same-store sales rose 6.8%. A year earlier, domestic same-store sales shrank 1.4%. McDonald's credited promotions like its Grinch Meal and Monopoly promotions for boosting traffic and sales in 2025.

Outside the US, McDonald's saw same-store sales growth in nearly all markets. The company's international operated markets segment, which includes Germany and Australia, reported same-store sales growth of 5.2%. Its international developmental licensed markets division saw same-store sales rise 4.5%.

Unilever Posts 2025 Results : Unilever released its 2025 performance results. Seeing a turnover of a €12.9bn for the year, foods were strong in Asia Pacific and Africa and saw particular "momentum" in Latin America. However, foods have been "soft" in Europe, where they make up 40% of the continent's business. While performing well in Italy and France and solidly in the UK, food in the Netherlands and Germany leave much to be desired. Foods overall saw an overall decline in Europe but "outperformed a soft market," according to the company.

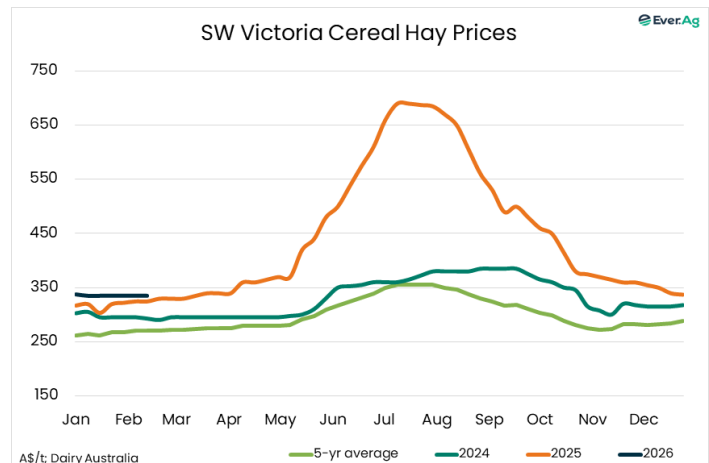
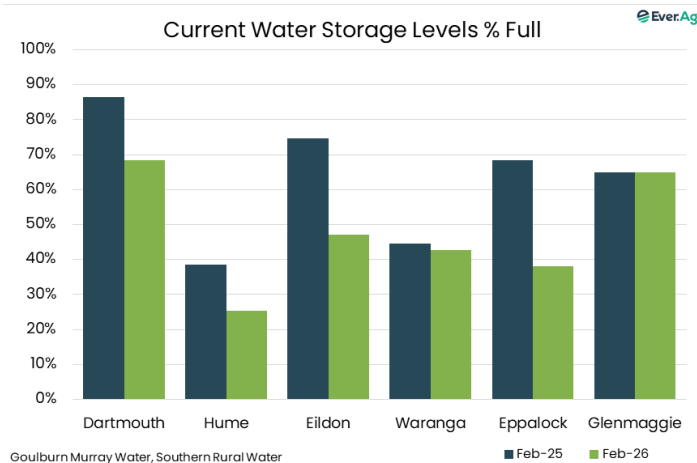
Part of the growth was driven by Hellmann's, which saw strong performance, particularly in the

flavoured category. Knor also saw low single-digit growth. Most significantly, foods saw an underlying operating margin of 22.6%, more than any other sector except personal care, which it equaled. This was also the highest margin food ever achieved at Unilever.

Strong First Half for a2 Milk Company : The a2 Milk Company reported strong first half financial and operational results. This included strong revenue and EBITDA growth with underlying EBITDA % margin improvement. The company achieved infant milk formula revenue growth of 13.6%, driven by English-label infant milk formula growth of 20.9% (with growing contribution from a2 Genesis™ and new markets) and China-label infant milk formula growth of 6.5%, achieving record market share. Other nutritionals growth accelerated 42.9% through recent kids and seniors product innovation. The company also entered the paediatric supplements category and developed a new kids' fortified UHT product for launch in 2H26. Liquid milk also delivered strong growth of 18.5%, driven by core products and lactose free and grassfed innovations.

Increased Sales and Big Investments for Magnum Ice Cream Company : The Magnum Ice Cream Company reported its first full-year results as an independent entity following its demerger from Unilever. The Amsterdam-based company posted 2025 revenue of €7.9 billion, supported by a healthy 4.2% organic sales growth.

While volumes rose 1.5%, pricing actions contributed 2.6% to the top line as the company leveraged its brands like Magnum, Ben & Jerry's,



and Cornetto. Operating profit slipped to €599 million due to one-time separation charges, while free cash flow plummeted to €38 million from over €800 million the prior year, reflecting heavy investment in standalone IT infrastructure and cold-chain logistics.



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