

Market Outlook

Skimmed milk powder

In September the prices for skimmed milk powder in Europe increased by approximately EUR 200/mt. In Germany, France and The Netherlands, the milk production is down compared to 2018. However this is partly compensated by higher milk outputs in other countries like Ireland and Poland and higher fat and protein values inside the milk. Also prices for skimmed milk concentrate traded above skimmed milk powder prices equivalent, meaning producers were not incentivized to produce SMP. All this contributed to relatively low stock levels in Europe as fresh product easily found a home and more intervention powder ended up in feed and other blends. Since skimmed milk powder prices in Europe moved up, the gap between European skimmed milk powder and other origins like New Zealand now almost disappeared.

We have seen a good demand both in -and outside Europe for Q4 and Q1 at levels between EUR 2300 - EUR 2350/mt FCA. Bdairy expect the demand for Q4 and Q1 to remain and this will keep the market firm at levels between EUR 2300 and EUR 2400/mt FCA.

Bdairy Outlook: Stable To Firm

Butter

At the start of September, demand for butter on Q4 was mainly coming from buyers outside Europe since European butter is still competitive on the world market. On the world market, butter traded between EUR 3450 - EUR 3600/mt FCA Europe. Most of the European end users are well covered until the end of the year. During the first half of September, European end users were mainly looking for offers for 2020, as butter prices were relatively low compared to 2017 and 2018.

Later in the month, prices for cream decreased and more butter offers became available at slightly lower price levels. As a result the buying appetite from European end users for 2020 decreased.

This year the butter exports to US has been strong, in particular for Irish butter. Recently, the US announced a higher import tariff for butter and this could slow down butter exports to the US. In that case Europe needs to find an alternative home for milk fat.

There are still some stocks of butter in Europe and since demand in Europe is slow we expect butter prices to decrease by approximately EUR 100/mt on the short term.

Bdairy Outlook: Bearish