

There has been little news during April and also little action in the market. During the global holidays in the Middle East and Asia, little buying was done in the big importing countries. We saw relatively stable markets compared to Q1, and it seems that many products have found their pricing floor.

The figures for milk intake in Europe have been a mixed bag, with the UK and Ireland dropping 2%. These islands are suffering from adverse weather conditions, but there is still relatively good milk production on the continent.

US milk production has been strong coming out of the flush season, with Q1 milk intake figures up 1% and stocks building further.

Global prices in Dollars for butter and powders are on the rise, although European products cannot capitalise on this due to worsening exchange rates.

There is a good level of supply but, after a quiet April, we expect greater demand to follow.

SMP

by Justin Gooshouwer



SKIMMED MILK POWDER

Over the last few weeks, prices have been more stable and, in some cases, have slightly increased. It's relatively easy to get offers for the short term, but more difficult to buy for Q3 onwards.

Liquid skimmed milk concentrate has been traded at EUR 1300/mt FCA in the EU, which still makes it commercially interesting to produce skimmed milk powder.



Two Algerian tenders have taken place this week (Soummam & Onil). The latest GDT closed with a +1.5% on SMP vs the last event and this seems to continue to give support to EU SMP prices and shows a bullish sentiment.

The trend of high prices from Oceania continued.

Availability in the EU is still reported to be elevated, with milk collections in Germany of +3%. The French, however, have continued the downwards trend at -2.4%.

The cold weather is impacting the overall milk supply from the UK and Ireland. Will this have an impact on the flush season in the EU and does it mean that supply will be reduced or will there just be a delay?

The EEX futures indices were trading at between €2620 and €2720/mt for Q3 and Q4. This trading is at a considerable premium compared to the physical market, where goods are being traded at between €2450/mt and EUR €2600/mt.

The Ramadan period is now behind us and, as expected, the demand was weak. Most buyers are covered, but Algerian and Saudi demand has entered the market.

In China, the local milk production is still strong. This milk was normally used for WMP, but now it's also being processed into cream and SMP. Does this mean that the demand for foreign products will remain slow?

Outside the EU there will be more competition as the EURO is strengthening, thus making it more expensive to export. US prices for NFDM have been increasing slightly coming out of the flush season and are reacting to global demand for SMP.

Bdairy outlook: stable to bullish

BUTTER

by Laurent Syryn



BUTTER

During April, butter trading was stable, with few physical or future trades. This stability was also reflected in the EEX quotations: 4693-4737-4762-4670.

In week 17, the cream price dropped from around 5000 FCA to 4400 FCA; this resulted in lower physical spot offers from Eastern Europe at 4150–4200 FCA and led to Q3 trading at 4550 FCA for NBD fresh butter. The futures market reacted with lower trades for Q3/Q4.

This week, week 18, cream traded higher at 4600 FCA and we can see that the opposite is happening: Eastern Europe up to 4250 FCA, with 4700 FCA for NBD fresh in Q3 and futures trading for Q3 above 4850.

The lower number of trades was mainly because of the discrepancy between demand and offers. Most of the offers are for May–June, while we see that demand is for Q3–Q4–Q1. Buyers are willing to lock in volumes for these periods, but are aiming for prices close to the spot pricing.

This results in lower physical spot pricing and a bigger premium (than a normal cash and carry) on the futures market for Q3–Q4–Q1.

Only if producers offer volumes for Q3, rather than just for May–June, can we expect this gap to tighten during the month of May.

Cream prices remain one of the main drivers for the butter market. With the extra milk we have in Europe (and the good fat values), we expect that cream will not be bullish during May.

On the one hand, we need to keep in mind that in Q2 cream can often valorise way lower than butter. On the other hand, if cream remains available at levels of 4400 FCA, producers should be able to produce butter and sell with a margin at about 4000 FCA.

Keeping this in mind, the big question mark remains: why are producers not offering bigger volumes, at lower prices, for the longer term? We can see that production figures for butter are up by about 3% YoY for Q1 and stocks are at +10% in comparison with Q1 2022. Are their warehouses that big? Is their financial position that strong? On top of this, demand for fat products in European retail are reported to be down.

Bdairy outlook: stable to bearish





SWP

by Sjoerd Westerbaan

SWEET WHEY POWDER

During April, sweet whey pricing found some stability after higher volatility in Q1 this year, with European SWP prices around €800.

Although milk production has been quite good this year, butter and SMP production were valorising stronger than cheese and whey.

With the cheese season underway in Europe, we expect some easing in sweet whey prices, as seasonally there is a lot of global whey production.

Looking forward, dry whey futures in the USA indicate lower pricing for June and Q3, whereas EEX feed whey futures are still in cash and carry.

Global demand for whey has been relatively weak, with buyers not seeing much price risk and deciding to cover quite short.

Markets for whey permeates, whey proteins and global feed whey remain weak. Although Chinese imports of whey have been up vs last year, they are nowhere near pre-pandemic levels.

A bullish argument for SWP is that, with global buyers still having to buy pretty much all of their Q3 needs, there is still potential for a sharp increase in price. There are few stocks of SWP in the market, meaning that if demand increases there are no stocks to fall back on.

However, with relatively strong milk production, processors are motivated to produce plenty of cheese and whey.

Bdairy outlook: stable (to slightly bearish)





BMP

by Joris de Baas

BUTTERMILK POWDER

Global demand for BMP remains quite weak, with European and American producers still needing to clear some stocks.

There are still large stocks of BMP that were produced in Q1 and, as its shelf life is usually shorter than that of SMP, there is some pressure to clear these products off the books.

Buyers of BMP that can take product for prompt shipment are profiting from this, with European prices for exported product as low as €1950. US buttermilk remains competitive for Asian markets, as there are also stocks reported across all major producers.

Although these are bearish fundamentals, BMP prices in the recent GDT were stable, with Oceanian BMP trading at around \$2600 FOB.

There is still an historically high spread between global BMP and SMP prices, with a premium of roughly €300-400 for SMP.

This should drive customers who are flexible on their BMP/SMP requirements to switch over to BMP consumption. Therefore, we expect this gap to narrow in Q3 and Q4.

Due to high stocks on all fronts, our opinion is that BMP will remain Bearish, until we see the gap with SMP closing.