

#### Overview:

March witnessed continued volatility in the Dairy market, primarily influenced by fluctuations in the fat and SMP sectors. Despite challenges, milk collections in key regions remained relatively stable. However, there have been notable exceptions, such as Ireland, where divergent weather patterns have created a mixed picture. Southern regions of Ireland experienced a significant decrease in milk collections by 20%, while northern areas, excluding Cork and Kerry, saw a positive uptick of 6%.

#### European Market:

The EU weighted average milk price stands at 46.34 EUR/P100KG, down from 53.34 EUR/P100KG in February 2023. However, farmers continue to enjoy adequate returns, especially considering the favourable cost of feed.

#### Oceania Market:

Milk collections in Oceania maintained a positive trajectory, with Australia recording a 2.52% increase and New Zealand seeing a modest uptick of 0.17% year over year (YoY). Expectations of substantial product volumes from this region persist, particularly following observations made at the recent FIC fair in China, where importers expressed optimism regarding Chinese milk production, signalling a problematic future for Oceania's exports.

#### Global Demand Picture:

Results from the latest Global Dairy Trade (GDT) indicate a positive demand trend, consistent with previous market outlooks. Notably, AMF and butter experienced increases of +2.3% and +3.1%, respectively, while SMP and WMP saw gains of +1.4% and +3.4%. Strength was also demonstrated in the cheese market, with a notable increase of +4.1%, BMP and lactose were the only weak components, down -0.5% and -3.1%, respectively. This bullish sentiment is supported by recent global tenders, contributing to a buoyant market atmosphere. However, the sustainability of this trend remains uncertain, as robust demand is balanced against ample global supply.

#### Geopolitical Considerations:

The ongoing conflict in the Red Sea region continues to pose challenges for lead times, with the Israel/Palestine conflict showing no signs of abating. Monitoring the region with caution, particularly regarding potential shipping disruptions, remains paramount. Presently, the presence of NATO military in the region appears to have mitigated Houthi attacks.





# SMP

by Arnaud Pradier

**SMP** The SMP (Skimmed Milk Powder) market has experienced significant volatility this month, witnessing an initial price decrease for Q2 of 190 EUR/MT. Currently, SMP is trading at 2,350 EUR/MT for physical and 2,400 EUR/MT FCA for futures contracts.

In the EU SMP market there remains a robust supply of SMP, with milk production for the EU27+UK in March showing a modest increase of 0.21% YoY on average, with a similar forecast for April.

In the United States, milk production in March has increased by 0.19% YoY, with a similar forecast for April, while Oceania has seen a slight decrease of 1.12% YoY during the same period. Offers for Q4 for NFDN/SMP from these regions are observed at 2,490 USD/MT and 2,525 USD/MT FCA.

The closure of the Algerian government's (ONIL) Q3 tender for over 20,000 MT of SMP at an average price of 2,790 USD/MT CFR has stimulated international buying interest in an otherwise relatively quiet SMP market. This, coupled with a 1.4% increase in SMP prices in the most recent GDT, reaffirms the bullish sentiment in worldwide SMP prices.

With the flush season approaching, expectations are for increased milk production and higher SMP output from the EU. Despite technical issues within processing companies across the EU leading to a strong price decrease in skimmed milk concentrate, and consequently SMP, prices over the past weeks, the top producing countries, such as Germany and France, have shown an average increase of 0.65% YoY in weekly milk collections.

Excluding the MENA region, where demand remains strong, end users from the worldwide market are gradually opening up for their remaining 2024 volumes, reflecting more bullish sentiments in the market.

**Bdairy outlook: Slightly bullish**





# BUTTER

by Arnaud Pradier

**BUTTER** The fat market has experienced notable volatility in recent times, with prices oscillating between 5,500 EUR/MT and 6,000 EUR/MT ex-works NL/BE/DE. These levels are recognised as significant support and resistance levels within the market, indicating a degree of stability amidst fluctuations.

Cream prices surged from an EU average of 6,100 EUR/MT ex-works in February to 6,500 EUR/MT ex-works by the end of March, propelled by robust demand. Forecasts suggest that cream prices are likely to maintain their stability or firmness in the initial weeks of April. However, the anticipated increase in milk production across Europe could potentially exert a downward pressure on prices in the near future.

Initially, at the start of the month, butter prices experienced a decline, with Polish butter dropping to 5,400 EUR/MT and NL/BE/DE butter falling to 5,500 EUR/MT. This downward trend was primarily attributed to increased supply, particularly from Poland. Additionally, Irish suppliers entered the market, albeit with limited volumes due to a YoY decrease in milk production. However, with cream prices rebounding, butter prices have subsequently risen to 5,800/5,900 EUR/MT ex-works for NL/BE/DE/IE. This upward trajectory is not solely driven by cream prices, but also by the robust levels of demand that are anticipated towards the end of Q2 and throughout Q3, both within the EU and for export markets.

In summary, despite the anticipated rise in milk production, the market exhibits bullish tendencies driven by robust demand, higher cream prices and restrained offerings from Irish suppliers. These factors contribute to a positive outlook for the fat sector, with prospects favouring bullish sentiment in the near term.

**Bdairy outlook: Bullish**





# BMP

by Arnaud Pradier

**BUTTERMILK POWDER** Whereas BMP prices in western Europe have been very stable over the last six months, we are seeing more availability of premium brands.

While the highly correlated SMP prices have been all over the place, supply and demand for buttermilk have been balancing each other out.

Increased demand may change this balance rapidly as global demand for BMP is stable, with the latest GDT down -0.5% to 2,500 USD/MT FOB.

Our partners in the Middle East and Asia have quite good levels of demand, as buyers still need to cover large volumes for Q2 and beyond.

But what about global supply?

BMP recently traded at between 2,200 and 2,300 EUR/MT FCA for German or French brands.

But with Polish BMP at around 2,150 EUR/MT and much more butter production in Europe, we are seeing more western EU suppliers starting to offer.

In short: supply in Europe and the USA is improving, while New Zealand is seasonally tighter.

As demand still seems to outweigh supply, our market outlook for BMP is slightly bullish.

**Bdairy outlook: Slightly bullish**





# LACTOSE

by Aaron Ledingham

**LACTOSE** With Q2 lactose prices still lower than in the previous 5 years, there seems to be an incentive for purchasers to cover at current levels.

With the recent surge in demand from export markets in Vietnam, India and China, European product has found good levels of demand.

USA pricing in the mid-thirties (around 35) cents/lbs has been too high for exports to Asia lately, but we expect USA lactose to close the gap with European product soon as lactose is becoming more available.

The hype for WPC80 seems to have died down and the WPC + whey permeate or lactose may no longer be the best valorisation for whey processors.

Taking good valorisation for SMP + butter rather than cheese and whey into account, this effect is amplified. Speaking to our partners, we do not foresee a lot of additional lactose being produced.

We see strong demand and a more or less stable supply, while still at historically low prices.

Therefore, the Bdairy market outlook is bullish.

**Bdairy outlook: Bullish**





# SWP

by Aaron Ledingham

**SWEET WHEY POWDER** The global market for whey products (SWP) experienced a modest resurgence in March, as several international end users re-entered the market. However, this uptick was accompanied by a notable decline in whey concentrate prices, plummeting from 400 EUR/MT (EU average) to 350 EUR/MT (EU average). The current pricing dynamics have rendered the drying of whey concentrate commercially unviable, leading to reduced interest from suppliers in production, and therefore caution around valorisation for cheese and whey.

In Poland, while the supply remains robust, prices have surged from 870 EUR/MT to approximately 920 EUR/MT, largely fuelled by strong demand from the export sector, where several large tenders have been observed during March.

Southern European involvement in the market remains limited, with southern EU producers engaging in minimal forward business transactions.

Across the Atlantic, the Chicago Mercantile Exchange (CME) observed a slight initial decline followed by a subsequent rally in SWP prices during March. Although SWP stocks in the USA are believed to be ample, the comparative valorisation of butter and SMP suggests a likely decrease in SWP production. Current CME cash offers hover around 892 USD/MT, aligning USA/EU products competitively for delivery into Southeast Asia, thus alleviating downward pricing pressures in the US market.

In the EU, favourable valorisation persists, buoyed by a 3% month-over-month increase in cheese production from December to January, signalling an anticipated influx of whey concentrate into the market. However, cheese prices face challenges, while butter/SMP prices continue to rise, prompting speculation on the sustainability of favourable valorisation for cheese in the long term.



Furthermore, the upward trajectory of feed whey prices, exemplified by DAP NL's rise from 615 EUR/MT to 635 EUR/MT, typically foreshadows a similar trend in food whey prices, hinting at potential market dynamics in April.

Given these observations, a cautious stance on the whey market is warranted, albeit with a slightly bearish outlook, primarily driven by the robustness of cheese products.

**Bdairy outlook: Slightly bearish**





# FCMP

by Aaron Ledingham

**FULL CREAM MILK POWDER** In March, FCMP prices in the EU dropped from 3,600–3,650 EUR/MT EXW EU to about EUR 3,450 EUR/MT EXW. We believe the main reason for this drop is the decline in the protein and fat markets during the month. Larger EU chocolate customers are, in general, covered for H1 deliveries.

However, at the time of publishing this report, the fat and protein markets are taking a slight turn towards a more bullish market.

With New Zealand FCMP trading at about 3,250 USD/MT FOB, New Zealand is the most competitive source when comparing all of the main FCMP producing regions.

World prices are remaining relatively low, due to the absence of buyers from China. Domestic milk and FCMP production in China remains strong. So strong that we see FCMP being sold out of China at roughly 2,650 USD/MT FOB.

We expect the EU market to be stable to slightly firm, and the world market to be stable to slightly bearish.

**Bdairy outlook: Neutral**