

# Bdairy Talks.



November 2024

In October, the dairy market displayed a slight increase compared to the previous month's frantic activity, Especially certain segments, particularly fats, continued to show strong demand. Market participants were focused on adjusting positions for the coming winter months planning the upcoming Christmas production and stocks, with many still concerned about supply chain challenges and inflationary pressures.

European Union (EU): Milk collections in the EU continued to soften, with year-over-year growth slowing to +0.7%, stable from +0.7% last month. Notable recent declines are still reported in Germany (-2% year over year), but with a first glance on improvements in the UK, showing a slight increase (+0.5% year over year), reflecting ongoing challenges in key milk-producing regions. In Ireland, the situation remains tight, with collections down by -5% year-over-year, with limitations on volumes available to catch up on in Ireland. France, although +5.2% year-over-year is increasing Y/Y basis a poor season during 2023, milk supply there is still limited.

The Blue Tongue Virus (BTV) although in most areas not present anymore, it still shows the aftermath of the infections with difficulties in birthing and recovering to full production potential. The milk supply remains tightened.

Oceania continues to report favorable milk collection data, with New Zealand seeing a +4.12% increase in September collections compared to 2023. Year-to-date collections are now up by +9%, representing a strong year for New Zealand Milk collections. However, low offers from this region are limited, as most NZ producers are well-sold for Q4 2024, and are now looking at H1 2025.

Australia continues to have a strong year, with milk collections up by +1.41% year-over-year. The increased milk output means Australian producers are competitive in Powders and butter, especially in Southeast Asia.

In the USA, milk collections continued their downward trend, with September recording a 0.1% year-over-year decline. While collections remain ahead of the five-year average, the ongoing reduction in output is expected to persist.

The latest Global Dairy Trade (GDT) auction in October reported a +3,75% increase, reflecting the firming of the market towards the end of the year, this reflected specifically in the butter and AMF markets. Apart from this the slower SMP market has found its new drivers and changed its trend from the previous two weak auctions. Overall, the GDT results were somewhat expected, with little surprises.

**Global Demand and Freight:** Global demand for almost all products is shown, only lactose is divided between the different geographical markets. This has been one of the drivers of elevated prices for these commodities. Freight rates are stable despite the tight shipping environment and ongoing geopolitical tensions; however, transit times remain high.

**Exchange Rates:** October reversed the EUR/USD gains of the month of September; we are experiencing a very peculiar macro environment with the US elections, geo-political tensions escalating and a few countries threatening to impose tariffs. EUR/USD depreciated to a low for the month of 1.0761 on October 23rd. EUR/USD played a relevant role in making EU products more competitive on the global scale. A good example of this has been SMP futures on EEX.

**Outlook:** The dairy market is expected to remain volatile through Q4, with fluctuations anticipated in the Proteins and Fats sectors. Reduced milk collections across Europe, exacerbated by the ongoing impact of the Blue Tongue Virus (BTV) outbreak, are likely to constrain supply further. This constrained environment is expected to temper manufacturers' willingness to adopt aggressive pricing strategies, limiting market liquidity. Buyers should brace for continued instability and ensure they implement robust risk management strategies to navigate potential supply disruptions and price fluctuations effectively.





# SMP

**SMP** The global Skim Milk Powder (SMP) market remained relatively stable with a slight bearish undertone throughout October, though regional price variations were observed. In Europe, SMP prices traded between €2,350 and €2,450/MT EXW for CODEX, highlighting a disconnect between traders and manufacturers. While manufacturers are maintaining firm prices due to high SMC prices, tight supply, and reduced production, traders appear to have more stock available, often offering it at discounted levels.

Demand for fresh products has shown signs of slowing, which is reflected in the slight dip in Skimmed Milk Concentrate (SMC) prices, now ranging between €2,350 and €2,500/MT. To maintain SMP production viability under current market dynamics, prices need to stabilize around €2,600 to €2,650/MT EXW. Despite improved Butter valorization, Cheese still presents better returns, offering a limited incentive for processors to shift towards SMP and Butter production.

In the U.S., SMP production remains steady, with competitive pricing in export markets. Offers from Oceania are approximately \$2,800/MT CIF Southeast Asia, while U.S. producers are pricing lower, making them more attractive to buyers without duty advantages. However, U.S. production remains below historical averages, contributing to continued supply constraints.

Overall, the global SMP market is expected to stay range-bound, with neither significant bullish nor bearish pressure anticipated in the short term. Supply and demand remain balanced, suggesting a stable outlook in the coming months.

**Bdairy outlook: Bullish**



# BUTTER

**BUTTER** The fat market remained relatively firm throughout October, though some volatility in prices has been noted, including different market outlooks. Butter prices in Belgium, Germany, and the Netherlands currently hover around €7,700/MT EXW for Q4, and 7500 for Q1, slightly below the highs of previous months, but still reflecting the ongoing tight supply situation across the European Union.

In Ireland, butter production remains constrained although a small uptick to a -5.5 % year-over-year, continues to add pressure to the EU market. However, France reported slight increases in production levels, and Poland has also seen an increase in output although it valorizes more for them to sell the cream, so there is a chance that the production of butter slows down even more.

Demand for cream remains firm, with almost no forward buying interest it becomes truly a spot-driven business. The interesting part is that the prices for Anhydrous Milk Fat (AMF) are slightly decreasing. Potentially because the market players can wait a bit longer than with cream. With cream prices rising sharply, reaching up to €10,000/MT FCA in the Netherlands. The tightening supply of fats has led to increased competition with cheese for milk valorization, keeping both markets under pressure. Cheese prices have remained strong, matching butter's price trajectory, which further intensifies the competition for raw milk.

The start of Q4 showed that the fat market is increasing and also expected to increase further, with limited supply continuing to support elevated prices. However, the market may see some corrections if prices become unsustainable, as high prices often lead to demand adjustments.

# BMP

**BUTTERMILK POWDER** In October , the Buttermilk Powder (BMP ) market remains firm, with the price spread relative to Skim Milk Powder (SMP) surpassing the level of €200/MT. BMP prices in Europe now range between €2,650 and €2,800/MT EXW for prompt shipment , though there is considerable variation depending on brand and quality.

Supply from key European producers , particularly from Ireland and Germany , remains tight, contributing to the firm pricing. However, the improved availability of BMP from the U.S. is exerting some downward pressure on EU prices, especially for exporters. Despite this, demand remains strong, with buyers willing to pay higher prices, underscoring the importance of BMP as a key component in various formulations.

Looking ahead, BMP availability could increase if butter production increases , as more milk could be allocated toward butter , thereby boosting BMP output . However , the strength of cream markets makes a significant uptick in butter production unlikely in the short term, keeping BMP supplies limited and prices elevated.

**Bdairy outlook: Neutral/ Slightly bullish**



# FCMP

**FULL CREAM MILK POWDER** In October , the Whole Milk Powder (WMP ) market tightened slightly, largely due to reduced availability and short-term demand from the chocolate industry for Q4. While supply shortages persist, particularly in Ireland where production continues to decline, WMP prices in the European Union have stayed neutral, ranging from €4,150/MT to €4,250/MT EXW , showing a modest increase compared to September.

Export demand has slowed, especially from Africa, as many buyers have already finalized their Q4 purchasing . In contrast , Chinese Full Cream Milk Powder (FCMP ) remains heavily discounted but is finding its production capacity and is also being actively purchased by partners in the Middle East, offering an alternative to higher-priced WMP.

Looking ahead, the WMP market appears balanced, though the elevated price levels are proving challenging for some buyers. It seems the market may have found an elevated floor, and we are now seeing a period of price stabilization as supply and demand come into equilibrium.

Bdairy outlook: Neutral



# SWP

**SWEET WHEY POWDER** In October , Sweet Whey Powder (SWP ) prices remained firm , driven by strong demand from China and Southeast Asia . Buyers continued to secure Q4 shipments at prices much higher than anticipated. A key driver behind this trend is the sustained demand for high-protein products such as WPC80 and WPI, which has diverted whey concentrate away from SWP production. Prices for WPC and WPI are nearing historical highs, further limiting the availability of concentrate for SWP.

In Europe , food -grade SWP prices range between €970 and €1,150/MT EXW , depending on the brand . Offers from Ireland and Poland , both typically major whey suppliers, are scarce and come at a premium. Meanwhile, feed demand remains strong but stable, with buyers paying between €920 and €960/MT DAP NL.

Concentrate prices have also increased, surpassing €700/MT EXW, with some reports indicating trades as high as €750/MT EXW. This suggests that powder prices are likely to remain firm in the near term . U.S. availability of SWP remains tight , though EU products continue to hold a competitive advantage in global markets.

Overall, the outlook for SWP remains strong, though the improving cheese market may lead to increased concentrate availability.

**Bdairy outlook: Neutral/ Slightly bullish**





# LACTOSE

**LACTOSE** In October, lactose prices saw an easing moment on the market. With especially different geographical interests in the product. The use of lactose for standardization has been keeping the uptick in lactose prices. Especially in the export market where a higher supply of milk showed.

In the U.S., lactose production has improved slightly, but output remains limited, keeping prices steady between \$800/MT and \$820/MT EXW. This competitive pricing has allowed U.S. lactose to maintain its strong position in Southeast Asia. Meanwhile, EU-sourced lactose has lost some competitiveness in export markets due to higher pricing. European prices remain elevated but have softened slightly, ranging from €750/MT to €850/MT EXW, depending on the brand.

Reduced demand from feed manufacturers, following feedstock replenishment, has led to a decrease in buying activity in this sector. Additionally, lower demand in the whey protein concentrate (WPC) and whey protein isolate (WPI) markets, which consume much of the available whey, suggests that future lactose production may be further constrained.

Overall, the market is a step further compared to last month in the transitional phase as regional demand shifts and production dynamics change. Demand can be found for certain brands and origins, still keeping the market active but with less volume.

Bdairy outlook: Neutral