

In May, we observed an active trading month, particularly in the fat and SMP markets. Both consumers and producers became more attuned to the current supply and demand situation, leading to an increase in deals, possibly due to some panic buying from those who had waited too long to procure.

Within the EU, the challenges are now focused in the East, where Poland, for example, is experiencing prolonged periods of dry weather, which is reducing the availability of silage for feed.

Milk collections during the month provided little surprise to the market. However, some regions, such as Ireland (-9% YoY) and France (-0.7% YoY), continue to lag behind the average. Nevertheless, collections are up overall by 1.2% compared to 2023, with Poland (+3.6%), Austria (+4.1%) and the Baltic states (+4%) leading the increase.

In Oceania, we are now entering the dry season, which limits product availability and supports market prices from competing areas of origin.

In the USA, milk collections remain consistent with 2023, currently standing at a 0.1% increase compared to last year. However, collections are slowing dramatically, raising some concerns about future trends.

The latest Global Dairy Trade (GDT) auction saw an across-the-board uptick, led by BMP with a 10.4% increase, SMP with a 3% increase and WMP with a 1.7% increase. However, the total volume covered was less than the previous tender, at 17.6 KMT.

On the global demand front, China shows few signs of repeating the high levels of demand seen in previous years, due to improved milk production, declining population growth, deflation, slow economic growth and rising unemployment, which remains a worrying long-term picture for dairy.

Geopolitical tensions remain high, with several elections occurring in the coming months. These elections are likely to disrupt the status quo in many countries, with rising nationalism driving nations further apart. We remain cautious and will closely monitor the effects on the dairy market.

## SMP

by Umberto Vella



**SMP** saw a significant uptick in prices during the month, with FCA prices in Europe now ranging between 2,450 and 2,550 EUR/MT for July/August shipments, depending on the brand. The market has a limited number of sellers, as traders are comfortable with their



positions and manufacturers have little stock, reducing the pressure to lower prices.

Global buying was active, especially in Southeast Asia, where many buyers had delayed their purchases too long, something that was exacerbated by extended shipping times. Buyers' procurement schedules were designed around the EU/USA milk flush, leading to a surge in demand as many sought to cover their needs simultaneously. This collective buying spree kept prices firm, even during peak supply season.

SMC prices in Europe also saw strong support, driven by demand for fresh products, such as yogurt and ice cream. SMC FCA in Europe is now trading upwards of 2,200 EUR/MT, setting the breakeven point for some SMP producers at around 2,550 to 2,600 EUR/MT FCA EU. SMP production in Europe is down 2.5% YoY.

In the USA, stock availability appeared to be sufficient, with some slightly discounted offers in the market, although volumes were not substantial. USA prices have helped keep EU prices in check. With US butter/NFDM valorising better than cheese, we anticipate competitive USA offers in the coming months, which will likely continue to influence the EU market.

Cheap Oceanian offers have largely disappeared, with buyers absorbing the available stock of Australian SMP. We do not expect Oceanian SMP to become competitive until Q4 2024.

Overall, we remain slightly bullish on SMP. We observe many buyers with uncovered needs, and both manufacturers and traders appear comfortable with their positions, reducing the likelihood of significant price drops.

**Bdairy outlook: Bullish**





# FAT

by Daniela Ruotolo

**FAT** The fat market experienced the most significant uptick during the month, with prices breaking the psychological barrier of 6,000 EUR/MT FCA EU and reaching approximately 6,700 to 6,850 EUR/MT FCA EU for NL/BE/DE and IRL lactic. The primary concern remains Ireland, where milk collections are down by about 6% compared to 2023, which is keeping fat prices elevated. Butter production is now -4.6% YoY in Europe.

Cream prices also rose due to the rally in butter prices, reaching as high as 7,800 EUR/MT FCA EU compared to 6,500 EUR/MT FCA EU at the start of the month.

Many end users were cautious about sustaining high market prices for an extended period, but eventually sought coverage to meet their needs. Due to low levels of butter production – caused by high cheese valorisation – manufacturers did not build up stock and could delay selling for longer than buyers could delay purchasing, thus driving up the market.

The current high prices create a self-regulating caveat, where high prices can eventually lead to market corrections. At current levels, butter is beginning to valorise better than cheese and whey. This is likely to lead to more milk being diverted into butter production, which could exert bearish pressure on the market. However, despite these high prices, demand still appears to be strong enough to outweigh supply and keep prices stable.

**Bdairy outlook: Slightly Bullish**





# BMP

by Umberto Vella

**BMP** prices have experienced a significant resurgence this month, with BMP emerging as the strongest performer at the Global Dairy Trade (GDT) auction, witnessing a 10.4% price increase.

This rally has been driven by a genuine global supply shortage, particularly in the EU and Oceania. In the EU, the shortage stems from reduced butter production, which has led to fewer liquids being available for powder production. Additionally, many European suppliers oversold in anticipation of improved butter production, resulting in shipping delays for current contracts. This has caused frustration among end users, many of whom are now uncovered and forced to increase the proportion of SMP in their formulations.

BMP prices in Europe are now on a par with SMP, with manufacturers rejecting bids at levels around 2,500 EUR/MT FCA EU. Some availability remains for lesser-known brands, and we encourage buyers to consider sampling these products urgently to avoid disappointment with their forward supply of BMP.

In Oceania, there is a complete lack of supply, with major manufacturers unable to meet customer needs.

We anticipate more BMP becoming available from the USA, although this has not yet materialised into offers. Buyers should remain vigilant and proactive in securing their supplies in order to navigate these challenging market conditions.

**Bdairy outlook: Bullish**



# FCMP

by Arnaud Pradier



**FCMP** WMP experienced a bullish sentiment this month, driven primarily by unfavourable valorisation in Europe. In the EU, WMP has become a made-to-order product, as manufacturers prefer to focus on products with better valorisation, such as butter/SMP and cheese/acid casein or whey.

This shift has resulted in a global supply shortage, exacerbated by Oceania being out of season and South America lacking sufficient milk volumes. EU offers are now in the range of 3,800 to 3,950 EUR/MT FCA EU, with some limited discounted offers available for IFCMP. For context, prices last month were around 3,700 EUR/MT FCA EU.

We expect the FCMP segment to remain firm due to limited supply and stable demand, at least until the end of Q3, when the valorisation of FCMP might start to improve. Buyers should be prepared for continued firmness in prices given the current supply dynamics.

**Bdairy outlook: Bullish**



# SWP

by Arnaud Pradier



**SWP** experienced a bullish uptick this month, driven by excessive demand from Southeast Asia and China, where, similar to SMP, buyers delayed covering their needs. Although the supply of whey concentrate remains robust in Europe, due to favourable cheese valorisation, demand is now outpacing supply.

With the increase in fat prices, manufacturers are beginning to pivot their milk stream from the cheese/whey complex to the fat/SMP complex, reducing the supply of raw material available to powder producers. Consequently, whey concentrate prices in Germany rose from 300 EUR/MT FCA to around 500 EUR/MT FCA, causing powder producers to increase their FCA prices in Europe to approximately 880–920 EUR/MT FCA in Eastern Europe and 900–980 EUR/MT FCA in Western Europe, a roughly 100 EUR/MT uptick from the previous month.

Both demand and supply fundamentals influenced the market this month, adding excitement to a previously stable market. In the USA, stocks of whey are being rapidly depleted due to strong demand and a shift in favourability from cheese to butter/NFDM in the valorisation stream. Consequently, USA whey is trading at a premium compared to EU whey in markets such as Southeast Asia.

The whey market will continue to be driven by fundamentals in the fat market. The key question is, how much milk will be allocated to the cheese/whey stream? With reports of growing cheese stocks and retailers struggling to absorb replacement prices for cheese products at current levels, we feel that less milk will be diverted to cheese/whey, especially with cheese production at +3.2% YoY. However, it remains to be seen how robust demand will be going forward.

**Bdairy outlook: Slightly Bullish**





# LACTOSE

by Umberto Vella

**LACTOSE** The lactose market experienced an uptick this month, similar to that of the whey market, driven by strong demand from Southeast Asia, China and India, and compounded by a shortage of supply from the USA. This shortage made product of European origin the primary source for export customers.

In the EU, prices now range from 700 to 850 EUR/MT FCA EU for standard 100 Mesh product, and 600 to 650 EUR/MT for unmilled lactose. In the USA, offers are scarce, with few manufacturers willing to drop their prices below 620 to 680 EUR/MT FCA USA due to limited stock.

In India, buyers have shown insatiable demand, particularly after a quiet few months. Similarly, in China, large tenders have absorbed most of the available stock in the EU market. It is expected that the lactose market will follow the trajectory of whey prices, with continued price increases anticipated throughout June.

**Bdairy outlook: Bullish**