

Bdairy **Talks.**



April 2025

March was no less eventful than February. From Trump's tariff war rumbling back into the headlines to the continued spread of Foot and Mouth disease, there's been no shortage of uncertainty to keep the market on edge. On the currency front, the EUR/USD held relatively steady, offering a rare moment of calm amid wider volatility.

There was some positive news too — despite ideal conditions for it to spread, we've not seen any new major reports of Blue Tongue impacting milk yields, which has helped ease immediate supply-side fears.

Commercially, many markets remain uncovered. While Asian demand for Q2 appears softer, we anticipate increased interest out of the Middle East following Ramadan and Eid. In Europe, a number of butter buyers are still to lock in their Q2 needs, suggesting further activity is likely in the weeks ahead.

Milk Collections:

Europe: In Europe, milk collections are showing steady growth, with January data coming in at +0.7% year-to-date. That said, regional differences are becoming more pronounced. Some partners are reporting stronger gains — the UK is up between 2–4%, and Poland is tracking at +2% so far. On the flip side, France and Germany are both down, around -2% and -2–3% respectively, although volumes are expected to pick up quickly as spring progresses.

Milk prices across the EU remain strong and continue to incentivize production, with some farmers still receiving upwards of €0.50/litre. In addition to higher volumes, solids are also coming in above average — good fat and protein levels are being reported across the board, which bodes well for processing efficiency and output in the coming months.

New Zealand: In New Zealand, milk collections remain solid overall, tracking +2.42% year-on-year. However, February saw a dip of -2.6% compared to the same month last year. Production levels remain ample, and we've seen some recent pricing pressure as New Zealand looks to stay competitive against EU and US offerings, particularly into Southeast Asia where competition remains fierce.

Australia: In Australia, official data shows milk collections down -0.14% year-to-date, with a sharper drop of -4.8% recorded in February versus the same month in 2024. While production is still +3.4% versus 2023 — a reminder of how exceptional last year truly was — several headwinds are now weighing on supply.

Lower farmgate prices have taken a toll on farmer margins, especially when combined with rising input costs and lingering labour shortages. Add to that unfavourable weather in key regions like western Victoria and South Australia, and it's no surprise that we're seeing production take a step back. Structural shifts in the sector, with some farmers exiting or consolidating, are also contributing to the tightening milk pool.

United States: In the U.S., milk production is showing modest growth as we head into 2025. January data from the 24 major dairy states came in at +0.2% year-over-year, driven largely by a bigger herd — up 54,000 head compared to the same time last year. Output per cow was slightly down though, averaging 2,054 lbs versus 2,062 lbs in 2024.

Regionally, there's a mixed picture. California continues to struggle, with January production down -5.7% year-on-year, still feeling the effects of the H5N1 outbreak. Meanwhile, states like South Dakota and Texas posted solid gains, both up around +6.5%, showing how varied production conditions remain across the country.

Looking forward, the USDA has trimmed its full-year forecast slightly, now expecting 226.2 billion lbs for 2025. That's mainly due to slower gains in yield per cow, even though herd numbers are expected to creep higher. Softer cheese and butter prices are also expected to weigh on margins, which could cap production growth heading into the second half of the year.

South-America: In South America, milk collections continue to show improvement. Argentina is up +6.3% year-on-year, Brazil +2.5%, and Uruguay +2%. February was another solid month for growth across the region, pointing to a bit more stability after a tough 2023. That said, competitive offers out of South America remain limited for now. Despite stronger output, we're yet to see these volumes translate into more aggressive commercial activity on the global market.

Foot and Mouth Outbreak: Foot and Mouth developments continued through March. Germany officially regained FMD-free status on March 12, with the UK lifting its import bans shortly after, by March 24.

New outbreaks were reported in Hungary and Slovakia during the month, with both countries forced to cull thousands of animals and roll out tight containment zones.

Poland, while not reporting any active cases, flagged an increased threat level as concerns spread across the region.



GDT

AMF: +2.3%

Butter: -1.2%

BMP: -5.6%

Cheddar: +1.7%

Lactose: -2.6%

Mozzarella: -4%

SMP: +5.9%

WMP: -0.1%

The latest GDT auction delivered a fairly balanced result, with most product movements in line with expectations. SMP led the gains, up +5.9%, supported by steady demand and tighter stocks. Butter slipped -1.2%, confirming the slightly softer tone seen across global fat markets.

BMP took the biggest hit, down -5.6%, as availability continues to build and demand remains sluggish. WMP was virtually unchanged at -0.1%, reflecting a well-balanced market. AMF held firm, ticking up +2.3%, while cheddar saw a modest increase of +1.7%, showing some resilience.

Mozzarella remained weak, down -4%, and lactose slipped -2.6%, both reflecting reduced demand at high prices levels.

Overall, there were no major surprises in the result. The auction confirmed the current tone — mildly bearish on fats and BMP, steady to slightly supportive on SMP and cheddar. We expect April to follow a similar trend unless something significant shifts on the supply side.

Outlook

Volatility persists, with many unknowns still in play — from disease outbreaks to shifting trade tariffs — all of which can impact dairy prices beyond just dairy fundamentals. We expect this uncertainty to continue through April. Buyers are encouraged to stay alert and take advantage of good opportunities as they arise.



SMP

SMP prices in Europe started the month stable but edged higher towards the end. CODEX material is now trading between €2,375–2,425/MT FCA EU for Q2 collection, depending on brand — around €50/MT firmer versus last month. Q2 EEX futures are now trading around €2,490/MT and the spread to physical is getting thinner. Where in early Q1 spreads were €100/€150/MT, the current spread is €50 to €100/MT.

The recent uptick in EU values is being driven by tight stocks and elevated raw material costs. SMC is holding firm at around €2,000/MT EXW DE/FR, supported by solid demand from both fresh dairy and the fat-filled markets.

EU and U.S. product remain largely aligned on a CIF parity basis into most export destinations. With neither origin undercutting the other, there's little pressure to drop prices. In the U.S., SMP is trading around \$1.17/lb FCA, with NFDM closer to \$1.19/lb. While prices dipped about \$0.03/lb (or \$66/MT) month-on-month, things have now stabilised.

Oceanian SMP, by comparison, is currently uncompetitive — pricing around \$2,750/MT FOB NZ port. On a landed basis, EU and U.S. product is simply more attractive, with New Zealand's export volumes lower than their northern hemisphere counterparts.

Demand remains steady across key regions. Buyers in Asia and the Middle East appear ready to engage around €2,350/MT EXW or \$1.17/lb FCA, which seems to be setting something of a floor for the market. For now, limited stock levels globally mean manufacturers aren't under pressure to adjust pricing. That could change as we move deeper into the EU flush, when increased milk volumes may begin searching for homes in the form of commodity powders.

Bdairy outlook: Slightly Bullish



BUTTER

BUTTER markets remained firm through most of March, although some slight softening was seen towards the end of the month. In Europe, prices are still elevated, currently trading around €7,200–€7,300 EUR/MT FCA IRL for lactic & €7,350 - €7,400 EUR/MT FCA NL/BE/DE, depending on spec and period. While this is off the highs seen earlier this year, levels remain historically strong, underpinned by low stock levels and steady demand.

On the futures side, EEX butter continues to trade close to spot values, reflecting limited downside expectations heading into Q2. Cream prices also remain supported, especially in Western Europe, despite the uptick in milk collections.

In the U.S., butter prices trended lower throughout March. CME closed the month at \$2.35/lb, down from earlier highs around \$2.50/lb. This decline increases the competitiveness of US butter on the global market, and some EU partners are taking advantage of this, and importing product into Europe. On a CIF basis, U.S. butter outcompetes EU butter into most export origins, and is therefore attracting significant interest, which should prevent prices falling much further.

AMF has followed a similar trend, holding firm on tight supply and steady export demand. EU-origin AMF is trading around 8,800 EUR/MT – 9,000 EUR/MT FCA Western Europe, holding firm versus previous months. USA/New Zealand AMF remains the most competitive on the global market, with material closer to \$6,600–\$6,700 USD/MT FOB. Demand from the Middle East and North Africa was inactive through the Ramadan period, although some post-Eid enquiries are starting to show.

Looking ahead, we expect the fat complex to remain well-supported in April. Stocks remain tight, and buyers are still working to secure Q2 needs. The main watchpoint will be how much milk comes into the system during the EU flush — if cream prices begin to ease, we may see increased butter and AMF production, potentially putting a cap on further price gains.

BMP

BUTTERMILK POWDER BMP prices softened notably through March, as rising butter output and the need to realign with SMP values pushed prices lower. At previous levels, we were clearly seeing demand destruction — with limited buying interest across both domestic and export markets, BMP simply had to correct to find a home.

Prices are now ranging between €2,450–2,650/MT FCA, depending on brand, quality, and approval. There are still discounts being applied for lower-grade or lesser-approved origins. The price gap with SMP has narrowed significantly — and in some cases, BMP is now trading in line with SMP.

Looking ahead, the market remains under pressure. Butter output is expected to increase further during Q2, which will naturally bring more BMP into the mix. At the same time, the U.S. market is adding pressure, with BMP now offered at around \$2,600 /MT or €2,410/MT FCA USA, making EU product less competitive into export markets.

With availability set to rise and demand still sluggish, the outlook for BMP remains bearish into April. Prices may need to adjust further if EU product is to remain competitive and clear the volumes expected to come online in the coming weeks.

Bdairy outlook: Bearish



FCMP

FULL CREAM MILK POWDER FCMP prices were largely steady through March, with a slight uptick seen towards the end of the month. EU/IRL-origin material is now trading around €4,250–4,300/MT FCA, depending on spec and volume. The move higher has been driven by relatively favourable demand and poor valorisation versus alternative streams, making FCMP a less attractive option for manufacturers.

However, at current prices — around €4,300 /MT — producers are once again incentivised to bring product to market, so we could see a bit more availability in Q2. That said, supply remains tight for now, and we haven't seen significant volumes hitting the spot market yet.

On the import side, Oceanian product is becoming less available for EU buyers, as key export markets in Asia and North Africa have picked up again. With solid consumption from those regions, New Zealand-origin FCMP is being pulled elsewhere, limiting surplus for Europe.

Overall, the market feels relatively balanced. Demand is holding up well, supply remains limited, and current prices seem sustainable — at least for now. Further price action will likely depend on how EU production shapes up through the flush, and whether demand continues to support current levels.

Bdairy outlook: Neutral



SWP

SWEET WHEY POWDER SWP prices dropped again in March, falling by around €50–100/MT month-over-month. Grade A brands are now trading around €1,200–1,300/MT FCA EU, while Grade B/C material is being offered between €980–1,150/MT, depending on origin and brand. The wide price spread continues to push buyers to explore new supply sources, particularly where approvals are less critical.

The broader whey complex is under pressure. Cheese production is on the rise, pushing more whey concentrate into the market and increasing the availability of raw material. At the same time, WPC and WPI remain more attractive in terms of valorisation, although even those markets are showing signs of softening — meaning we may see some concentrate shifting into the SWP stream.

Demand has eased noticeably, with some demand destruction clearly visible at current price levels. Many buyers appear to be well covered for nearby positions, with limited spot interest reported across both food and feed sectors.

U.S. SWP is now trading at similar levels to EU product, but the U.S. market looks more pressured. China has pulled back on demand for U.S. origin SWP amid fresh trade tensions and an expected tariff war, creating further downside risk on that side of the Atlantic.

Feed-grade product has also moved lower, now around €910/MT DAP NL, down from €930/MT last month — a clear signal of both increased availability and weakening demand. The shortage of liquid brands seen earlier in the year is easing, and with raw material supply set to increase, the tone for SWP is clearly bearish heading into April.

Bdairy outlook: Bearish

