

Bdairy Talks.



February 2025

No one in the dairy industry can say that the first month of 2025 lacked excitement—or challenges. The year kicked off with Donald Trump being sworn into office, complete with some brazen salutes from a certain billionaire on stage! Wasting no time, Trump swiftly hinted at a looming tariff war against both close allies and China—because, who needs enemies when you have friends like these? Trumps Tariff wars will likely impact the EU Cheese market heavily, with Europe the main supplier to the USA cheese market. Expecting heavy tariffs to increase US production of cheese further passed the recent investments that have been made and thus cause European milk to funnel into different parts of the valorization stream, a long-term trend, however.

As if a rollercoaster of Trump announcements wasn't enough to shake up the market, Europe saw its first foot-and-mouth disease (FMD) outbreak since 2011 (Bulgaria). While the situation appears to have been swiftly contained, the spillover effects have created turbulence in the market and some logistical headaches.

On the trade front, the year started actively. Many partners continue their hand-to-mouth buying strategy, particularly on powders, leaving most uncovered for Q2 and riding the dramatic waves of dairy commodity prices. China took a step back due to its New Year celebrations, slowing activity in the final week of January. Nevertheless, it was a busy month, with numerous deals concluded both in Europe and abroad.

Milk Collections:

Europe: Milk collections across Europe are trending positively, with strong fat and protein content thanks to cheap feed, bolstered by a bumper grain harvest. From January to November, collections are reported at +0.7% vs. 2023, with final data still pending. Favorable weather conditions have supported healthy milk flows in December and January, and most partners anticipate an increase in collections throughout Q1 compared to previous years.

Oceania: Milk flows in Oceania remain strong, with collections up 1.4% from June to December compared to 2023. However, many partners remain well sold into Q2, a time when milk production in the region typically declines.

In Australia, December collections were down 1% YoY, though still within typical seasonal ranges. Overall, the 2024/25 marketing year has seen collections rise by 0.86% versus the previous year.



United States: US milk collections remain sluggish, down 0.2% year over year. Looking ahead, production is expected to hold steady as farmers are encouraged by strong commodity prices to maintain output.

South America: Collections remain weak, with Argentina down 6.5% YoY (Jan-Dec) and Uruguay down 4.08% YoY. However, farmgate prices remain favorable, and with rising commodity prices, some recovery in production is anticipated.

Global Dairy Trade (GDT) Results:

The latest GDT auction saw strong gains across most product categories, particularly:

Lactose: +17.7%

SMP: +4.7%

AMF: +2.4%

Butter: +3.4%

Cheddar: +3.7%

WMP: +4.1%

Mozzarella remained steady (-0.1%), while Buttermilk Powder dipped slightly (-0.4%). Overall, it was a busy tender with strong volumes booked by key buyers.

Foot and Mouth Outbreak: In January 2025, Germany reported its first foot-and-mouth disease (FMD) outbreak in nearly 40 years, identified in a water buffalo herd near Berlin. Immediate containment measures included culling affected animals, transport bans, and quarantine zones.

Impact on the Dairy Market: Export Restrictions: Germany lost its FMD-free status under World Organisation for Animal Health rules, triggering bans on meat and dairy exports from countries including the UK, South Korea, and Mexico. Additionally, Malaysia, Australia, and China issued ambiguous statements regarding German dairy shipments.

Market Disruptions: Initially, buyers hesitated, avoiding German dairy products, and trading halted for a week. Some international buyers extended this caution to all European dairy products, though these fears were quickly alleviated.

Price Volatility: The only significant price impact was on German butter, which held stable compared to other countries. Meanwhile, cream prices across Europe saw a temporary rise, excluding Germany. Overall, the market has largely moved past the event in pricing terms.

Supply Chain Adjustments: Exporters turned to alternative suppliers in France and the Netherlands, pushing demand to other regions of Europe. While the immediate turmoil has settled, ongoing market monitoring and adaptability remain essential in navigating potential aftershocks.

Outlook:

The year has started with a bang! Many partners have been actively covering Q1 needs, while external factors such as currency fluctuations, political shifts, and FX movements continue to influence daily pricing. Staying vigilant and responsive to market changes is crucial for positioning effectively. For more in-depth analysis or specific market insights, please reach out to your Bdairy representative.



SMP

SMP The Skimmed Milk Powder (SMP) prices have remained relatively stable, with values ranging from 2,400 EUR/MT EXW EU on the low side to 2,550 EUR/MT EXW EU on the high side, depending on brand and shipment period.

Stock availability remains prevalent across Europe, though not in the hands of producers, who are under no stock pressure and continue to receive timely collections. Meanwhile, Eastern Europe is producing SMP again with some partners shifting focus to butter production or cream sales, leading to a good supply of Skimmed Milk Concentrate (SMC). However, price pressure in the region is relatively low, with SMP prices holding firm above 2,450 EUR/MT EXW, as stocks are thin.

Following the initial post-FMD price dip, SMC prices stabilized around 2,100 EUR/MT EXW EU, reinforcing the necessity for SMP to be priced at 2,450-2,500 EUR/MT EXW EU for production viability—albeit with no margin. We also hear of some partners opting to sell SMC for cheese production, where retail cheese prices remain strong, rather than committing to SMP production.

From a global perspective, EU-origin SMP remains the most competitive for most destinations, with CIF parities favoring Europe, limiting potential downside. New Zealand and Australia are exiting their production season and have sold forward heavily, keeping stocks tight. Meanwhile, the USA is absent from the export market due to limited stock buildup, further solidifying Europe as the preferred origin.

With Europe continuing to produce SMP steadily, the supply-demand balance remains slightly demand-heavy, but strong supply should prevent significant upward movement.

Overall, the outlook remains neutral to slightly bullish, with a stable market underpinned by strong global competitiveness and steady production levels.

Bdairy outlook: Slightly bullish



BUTTER

BUTTER Fat prices continued to face downward pressure in January, with reported lows of 7,100 EUR/MT EXW BE, DE, NL and 7,000 EUR/MT EXW IRL for February shipments. Poland also started feeling pressure, with prices dropping below 7,000 EUR/MT EXW PL for prompt collection. However, fluctuations were evident, with BE, DE, NL trading as high as 7,400 EUR/MT during the month.

In Ireland, availability improved significantly, with November butter production up 10.7% vs October. Milk collections in Ireland also surged +33% YoY in November 2024, with no slowdown expected, ensuring healthy butter volumes.

Despite these improvements, a continental supply shortage remains. Year-to-date EU butter production is down 1.4% YoY, with notable declines in Ireland (-3.4%), France (-1.2%), and Germany (-0.9%), all key contributors to the European supply.

Demand remains strong, but buyers continue a hand-to-mouth purchasing strategy, avoiding excessive forward purchases to mitigate risks of buying at market peaks. However, prices are unlikely to slide too much, as valorization still favors alternative dairy products over butter production, particularly given firm demand for raw cream despite elevated prices.

Cream prices did however see declines, settling around 8,000 EUR/MT, primarily led by Germany, where the FMD outbreak resulted in excess stock that many buyers hesitated to take on. However, prices varied across regions—Belgium and the Netherlands rarely dipped below 8,300 EUR/MT, while Poland saw levels of 8,150 EUR/MT, allowing butter to be produced at approximately 7,000 EUR/MT EXW. That said, few partners were actively offering loads at such levels.

The market remains finely balanced—while the supply situation has improved, limiting significant upside, demand remains strong, with many partners still uncovered for March deliveries, let alone Q2. Given these factors, the outlook remains slightly bearish, with prices expected to trend softer but not collapse entirely.

BMP

BUTTERMILK POWDER Buttermilk Powder (BMP) prices saw a slight drop, primarily driven by improved butter supply. However, the spread between BMP and SMP remains wide, fluctuating between 200-300 EUR/MT depending on brand. Current BMP prices range from 2,600 EUR/MT to 2,800 EUR/MT for Q1 shipments, with variation based on brand and quality.

Despite this dip, supply remains tight across the EU, with demand still far outweighing available stocks. While improved butter production should eventually help rebalance the supply-demand equation, the correction will take time.

Additionally, Butter Milk Concentrate (BMC) continues to be absorbed by the fresh/liquid market, leaving less available for drying into BMP. Meanwhile, condensed milk manufacturers in export destinations are beginning to phase BMP out of their formulations, contributing to early signs of demand destruction. That said, demand in certain markets and applications remains as firm as ever.

While we anticipate supply improvements, the process will likely take at least another quarter to stabilize. Given the ongoing supply tightness but emerging demand shifts, the outlook remains slightly bearish, with prices expected to soften further over time.

Bdairy outlook: Slightly bearish



FCMP

FULL CREAM MILK POWDER FCMP prices remained largely stable throughout January, as high price levels and declining cream prices improved the valorization calculation, prompting some manufacturers to ramp up production.

Despite this, demand remains strong, creating an ongoing imbalance in supply and demand that continues to favor slight production increases.

However, EU product remains uncompetitive on the global market and should be considered in isolation. Meanwhile, New Zealand and South American prices have increased due to higher buying activity from China and North Africa. Currently, FOB prices sit around 4,000 USD/MT from Oceania and 4,150 USD/MT from South America.

In the EU, prices range between 4,300 - 4,350 EUR/MT, depending on brand and delivery period, keeping it out of sync with global competition. That said, at these levels, manufacturers are incentivized to produce, as valorization for cream/SMC remains on par with FCMP. However, SMC continues to be used heavily in retail cheese production, slightly skewing market preference toward that segment.

Looking ahead, we anticipate some price softening, as current price levels should encourage increased production, gradually easing the supply tightness in the market.

Bdairy outlook: **Slightly bearish**



SWP

SWEET WHEY POWDER The Sweet Whey Powder (SWP) market remains firm, driven by strong demand for whey concentrate, which is fuelled by the exceptionally tight WPC80/WPI market.

Although cheese production in Europe remains robust (+2.6% Jan-Nov 2024 YoY), nearly all whey concentrate is being funnelled into WPC80/WPI streams rather than SWP. Current market prices for WPC80 range from 11,000 EUR/MT to 12,000 EUR/MT, depending on brand and period. On a protein basis, this translates to 137-150 EUR/MT per % of protein, compared to 105 EUR/MT per % of protein for SWP. Given these returns, producers who can manufacture WPC80 are prioritizing it over SWP, leaving SWP supply tight. The WPC80 market shows no signs of weakening, with consumer preferences changing globally for high protein products.

Demand remains exceptionally strong across all applications for SWP, despite elevated prices. However, finding available product of SWP is increasingly difficult. Unlike more commoditized dairy products, SWP is more niche, with fewer approved suppliers, leaving many buyers exposed to supply fluctuations. We strongly encourage partners to approve new sources, as Southern European SWP can be secured at a discount (~1,050 EUR/MT EXW), compared to 1,200-1,300 EUR/MT EXW for well-approved Northern/Eastern European brands. The price spread is dramatic, and approval of alternative sources could unlock savings.

The importance of Germany as a supply hub cannot be overstated. Germany plays a crucial role in global whey supply, and if cheese production declines due to Trump's tariff war with Europe, the whey market will tighten further.

With SWP supply struggling to meet demand and the USA absent from the export market (as domestic demand remains firm), we see no near-term weakness in the whey complex. Given these factors, the outlook remains bullish.

Bdairy outlook: Bullish