Bdairy Talks.

March 2025

February brought no less excitement than January, with global macroeconomics continuing to weigh heavily on dairy market prices. Donald Trump kept stirring things up, with his economic policies weakening the USD and driving up the cost of EU dairy commodities. As if Trump's tariffs weren't causing enough disruption , another case of Foot & Mouth (F&M) was reported in Hungary, adding more uncertainty to the European dairy market. While Hungary's direct impact on the market is relatively small, the bigger concern is whether this could lead to a broader EU dairy ban by importing nations.

As if one disease isn't enough, fears are again rearing, especially in Germany about Blue tongue disease. As the weather improves, and bugs reappear, the likelihood of the disease spreading again is high, with many partners fearing the worst is yet to come.

On the trade front, many partners are still securing shipments for Q2 arrivals, with export markets—particularly in Asia—remaining active. China has been quieter compared to their pre-Chinese New Year buying spree but still has an appetite for whey commodities. Looking ahead, we expect Q3 to maintain a similar pace, with buyers and sellers doing their best to navigate the extreme volatility that continues to define the market.

Milk Collections:

Europe: Milk collections across Europe are starting to decline, though strong fat and protein content is keeping overall volumes relatively stable. In the Netherlands, collections are down -1.8% YoY. Full January data for Germany and France isn't available yet, but weekly trends show a decline of -2.7% YoY in Germany and -3.7% YoY in France. Despite this, current milk prices are keeping farmers incentivized to produce, with the EU average milk price hitting a recent record high of 0.53P/100kg in February. Favorable weather conditions are also supporting higher yields, as cows are able to graze more freely.

Oceania: Milk collections remain strong, up +3.05% YoY, with January marking a three-year high. Despite this excess supply, we're not seeing significant downward pressure on commodity prices, as many manufacturers are already forward sold, limiting the impact of increased production on market availability.

In Australia, collections in January were down -2.6% YoY, reflecting a notable slowdown after the surplus seen in 2024.

United States: January 2025 milk collections were up +0.1% YoY, aligning with typical seasonal trends. For 2024 as a whole, collections finished at -1 .2% vs 2023, indicating a significant catch-up in Q4. Increased milk availability is pushing commodity prices lower, with plenty of SMP and butter available from the U.S.

South America: Milk collections continue to improve, with Argentina up +5.3 % YoY, Brazil +2.4% YoY, and Uruguay +2.24% YoY. However, these higher collections haven't yet translated into increased commodity availability on the market.

Foot and Mouth Outbreak: Hungary has reported its first Foot & Mouth (FMD) outbreak in over 50 years, with the virus detected in a cattle farm near the Slovakian border. Authorities have moved quickly, shutting down the affected farm, culling infected livestock, and enforcing movement restrictions. While Hungary itself isn't a major player in the dairy export market, the bigger concern is how importing nations react—there's already talk of wider EU restrictions, following the UK's decision to ban imports of susceptible animals and products from Hungary and Slovakia.

This comes on the heels of an FMD case in Germany back in January, raising questions about whether the disease could spread further in Europe. The situation remains fluid, but any escalation could have knock-on effects on trade, particularly if more countries implement bans or tighten regulations. For now, the market is watching closely, with heightened biosecurity measures in place.

FX Situation: The EUR/USD has seen notable movement over the past two weeks, reaching $1.089 before settling around $1.0845 recently. The euro strengthened on the back of Germany's €500bn investment plan and speculation around ECB rate adjustments. Meanwhile, U.S. dollar weakness has been driven by trade tensions and softer economic outlooks. With continued volatility expected, FX rates remain a key factor for EU dairy market competitiveness.

Outlook:

The market maintains high volatility, with numerous factors influencing prices aside from pure dairy fundamentals. We don't expect any different entering Q 2, and encourage buyers to remain actively engaged on market movements, to ensure strong positioning when the right opportunities present themselves. For more in-depth analysis or specific market insights, please reach out to your Bdairy representative.

SMP

SMP prices took a hit this month, with physical EU product dropping €50 EUR/MT from last month's levels, now ranging between €2,350–2,500 EUR/MT FCA EU for March/April collection (brand-dependent). The bigger move came from EEX futures, which tumbled from €2,673/MT (Q2 settlement on Feb 5) to €2,492/MT, marking a much sharper €180/MT decline compared to the physical market.

The key driver? FX volatility. The EUR/USD jumped from 1.03 to 1.08 in just one month , forcing EUR-priced commodities lower to stay competitive globally. With more SMP available in the U.S. market—driven by strong butter production and weak NFDM demand—Europe is now facing tough competition. If the EU wants to export, prices will have to adjust further to compete with U.S. suppliers. U.S. suppliers are indicating $2,580 – $2,600 USD/MT FCA US (€2,380 – €2,400 EUR/MT), and when comparing CIF parities, this puts USA product cheaper than EU product into some export destinations, for the first time in many months. Trumps Tariff war with Mexico, also raises questions from Mexican partners on whether to continue with U.S. imports. This has seen some partners take cargos from Europe for later delivery, reducing demand further for U.S. product, and putting pressure on prices there.

On the demand side, EU buyers are looking at €2,400 EUR/MT FCA EU , while export clients are engaging between €2,375–2,420 EUR/MT FCA depending on brand. Southeast Asia remains largely uncovered for Q2 arrivals, but Middle Eastern and North African markets are mostly covered through Q3, reducing short-term demand just as more SMP is expected to be produced in Europe.

Globally, availability is not an issue—supply outweighs demand. Strong fat valorization in Europe is keeping SMP production high, but a stable SMC market (~€2,200 EUR/MT FCA DE) is preventing prices from dropping further for now. The market leans slightly bearish , though €2,350 EUR/MT FCA EU appears to be the floor where serious demand steps in. Whether the market breaks below this level remains to be seen.

Bdairy outlook: Bearish

Bdairy

BUTTER

BUTTER Fat prices continued their downward trend at the start of the month, hitting lows of €6,700/MT EXW Poland and €6,900/MT EXW BE, DE, NL for March collections. But demand from both retail and industry quickly rebounded, preventing further weakness. Current market prices hover in between 7350 and 7500 EUR/mt FCA and end customers are starting to pay up.

In Ireland, butter production was strong, with Q4 output higher than the past two years. However, thin stocks meant there was little pressure to discount. The early-month weakness was short-lived, as overall butter supply across Europe was down -1% YoY in 2024 and stock carryover from previous months remained low. Milk intake has also declined, and for much of the year, cheese valorization outperformed fat, limiting butter production and keeping prices supported.

Cream prices remained firm throughout the month. In the East, they dipped to €7,650/MT FCA Baltics before quickly rebounding to €8,500–8,800/MT, reflecting ongoing strong demand across all sectors.

Buyers hesitant about missing market bottoms stepped in on price dips, helping to establish near-term support. The market remains finely balanced, with demand outweighing supply. This is unlikely to improve until flush season, but with many partners still uncovered, even increased milk supply may not be enough to push prices down significantly. Some discounts are available for UK butter sources, where the milk supply picture is improved versus Europe. Partners should be willing to sample new origins, in a market where record high prices forcing some to look for alternate solutions, with some even sourcing USA butter at 6,100 USD/MT CIF Rotterdam, which is quite the discount versus European sources.

Bdairy outlook: Slightly bullish

BMP

BUTTERMILK POWDER BMP prices continued to soften through February, largely due to better butter supply increasing concentrate availability. With SMP prices falling, BMP has been forced to follow, as both commodities are interchangeable in certain applications.

Current BMP prices range from €2,550– €2,800 EUR/MT FCA EU, depending on brand, with additional discounts available for lesser-approved sources. The price gap vs SMP remains at €150–300 EUR/MT, a trend that has held for over six months. However, with more butter production expected in Q2, this spread is likely to adjust.

Adding further pressure, the USA has ample BMP supply, available at $2,690/MT (€2, 490/MT), making it cheaper than EU-origin BMP in some cases. This is weighing on European prices and increasing competition in export markets.

Looking ahead, the firm butter market and increased production should bring more BMP to market in Q2, keeping prices under pressure. That said, export demand remains healthy at current levels, limiting the extent of price declines. Overall, the outlook is slightly bearish, but strong demand could prevent a major slide.

Bdairy outlook: Bearish

FCMP

FULL CREAM MILK POWDER FCMP prices dipped slightly at the start of the month, following the downward trend in fat, settling at €4,200/MT FCA for Q2 collection. However, the market remains inverted, with sellers targeting €4,300/MT FCA for prompt cargos, signalling tight supply in the near term.

At current price levels, manufacturers are showing strong interest in production, as valorisation remains attractive. Despite high prices, demand remains firm, with signs of a short squeeze as many buyers across industries remain uncovered.

With FCMP prices rising in Europe, buyers may reconsider imports from Oceania, but with Oceania offers at ~€4,000 EUR/MT+ CIF Rotterdam, the numbers don't yet work for most EU buyers. Meanwhile, the fat market rally has further supported FCMP price increases across Europe.

On the export side, demand from North Africa and Asia remains strong, with buyers still looking to secure front shipments and Q2 volumes. However, we see a potential market top around €4,350 EUR/MT FCA EU & 3,900 USD/MT FCA NZ, as buyers become more cautious at these levels and manufacturers are incentivized to produce, which could ease supply pressure in the coming months.

Bdairy outlook: Slightly bullish

SWP

SWEET WHEY POWDER The SWP market remains stable, with prices unchanged month over month. Grade A brands are holding at €1,300 EUR/MT FCA EU , while Grade B/C brands are priced at €1,000 - €1,150 EUR/MT FCA EU or lower. The wide price spread between categories is encouraging buyers to explore alternative sources that may meet their requirements.

Despite firm cheese prices in Europe and favourable valorisation, much of the concentrate produced is being directed into IWPC80 and WPI markets, where returns are higher. This has reduced SWP production in Europe, keeping prices near historic highs.

Even at elevated price levels, demand remains strong, with many buyers still uncovered for Q2 arrivals. However, the easing of restrictions on German exports could bring additional volumes to market, offering some price relief in the near future.

Meanwhile, U.S. SWP supply has increased, with prices now aligning with European levels. A key driver is the ongoing U.S./China trade war, which has redirected U.S. SWP toward Southeast Asia and alternative markets, adding further competition.

The feed market remains relatively flat, with balanced demand and supply in both Europe and global markets. This has kept the historically large price gap intact, with Grade A maintaining a +€350/MT premium over feed-grade SWP, and Grade B/C holding a +€100/MT spread.

In summary, the shortage of liquid Grade A brands does not show any near term signs of weakening, largely due to the favourable valorisation for WPC80/WPI, and therefore, prices will likely remain firm. However, end users will struggle to absorb higher levels, so the market therefore will struggle to increase much past current levels.

Bdairy outlook: Slightly bullish