

Friday, 29 January 2021



## Overview

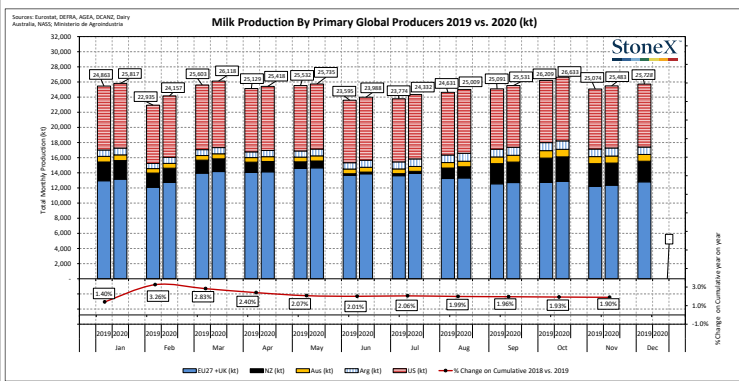
Dairy commodity prices have been generally firmer as we progressed through the back end of 2020 and into the start of 2021 with strong Chinese demand outweighing good milk supplies. European butter prices ground lower over the last few weeks of 2020 before recovering well in the first few weeks of 2021. European SMP prices meanwhile have seen sustained price gains since the end of November. Strong gains on the GDT auction in New Zealand since mid-September has helped support European prices. The GDT index has moved up 14% since the start of October, with Butter and AMF seeing the biggest gains in that period, up 31% and 33% respectively while SMP and WMP have also seen increases over the last few months, up 13% and 11% for the same period. European dairy exports for the year to November were a little mixed while New Zealand exports recovered well after a shaky start to the year. Chinese dairy imports were also a somewhat mixed overall, with fats and whey finishing the year strongly while milk powder exports were under pressure. Milk production for the main global exporters for was also strong with all five of the main players recording year on year gains for the year to November.

## The Supply Picture - Top 5 Dairy Exporters

- Milk production for the period Jan-Nov held up well ahead of last year with record supplies from Europe and the US driving volumes higher
- European milk supplies driven higher by strong y/y gains for Italy, Ireland, Poland, the Netherlands and Spain
- New Zealand collections moved ahead of 2019 from August onwards before dry conditions began to impact supplies leading to a decline in November. Good conditions in December however pushed collections back ahead of 2019 levels
- Australian collections are up on a weak 2019 thanks to strong gains over the first nine months of 2020, supplies eased off somewhat since the start of Q4
- US production went from strength to strength as we progressed through 2020 posting new records for collections in all four quarters and is up 2.1% for the full year
- Argentina saw sustained growth for milk supplies throughout all of 2020 finishing the year up 7.4% on 2019 volumes, recording their best year since 2015

| Jan-Nov               | Cumul. ('000 tonnes) |         | StoneX           |
|-----------------------|----------------------|---------|------------------|
| Country               | 2019                 | 2020    | Cumul. Y/Y Diff. |
| <b>EU27 +UK Total</b> | 145,616              | 147,891 | 1.56%            |
| <b>New Zealand</b>    | 19,065               | 19,130  | 0.34%            |
| <b>Australia</b>      | 7,947                | 8,211   | 3.32%            |
| <b>US</b>             | 90,727               | 92,586  | 2.05%            |
| <b>Argentina</b>      | 9,679                | 10,404  | 7.49%            |
| <b>Top Five Total</b> | 273,034              | 278,221 | 1.90%            |

| Jan-Nov               | Cumul. ('000 tonnes) |         | StoneX           |
|-----------------------|----------------------|---------|------------------|
| Country               | 2019                 | 2020    | Cumul. Y/Y Diff. |
| <b>EU27 +UK Total</b> | 145,616              | 147,891 | 1.56%            |
| <b>Germany</b>        | 29,751               | 29,888  | 0.46%            |
| <b>France</b>         | 22,430               | 22,563  | 0.59%            |
| <b>United Kingdom</b> | 14,170               | 14,156  | -0.10%           |
| <b>Netherlands</b>    | 12,631               | 12,793  | 1.28%            |
| <b>Poland</b>         | 11,170               | 11,441  | 2.42%            |
| <b>Italy</b>          | 11,088               | 11,548  | 4.15%            |
| <b>Ireland</b>        | 7,976                | 8,280   | 3.82%            |
| <b>Spain</b>          | 6,650                | 6,816   | 2.49%            |
| <b>Denmark</b>        | 5,149                | 5,191   | 0.82%            |
| <b>Belgium</b>        | 3,928                | 4,065   | 3.49%            |



## The Demand Picture

### European Dairy Exports

- European dairy exports for the year to November have seen somewhat mixed fortunes
- Butter and cheese exports are at record levels driven by strong demand the US
- SMP and IMF are down y/y although strong numbers in 2019 are exaggerating this decline
- WMP, whey and lactose exports are also at record levels

| Source: GTT    |         | European Dairy Exports |            | StoneX |
|----------------|---------|------------------------|------------|--------|
| Jan-Nov        |         | YTD Metric Tonnes      |            |        |
| Product        | 2019    | 2020                   | Cumul. Y/Y | Diff.  |
| Butter         | 166,905 | 202,928                |            | 21.6%  |
| SMP            | 904,923 | 765,246                |            | -15.4% |
| Infant Formula | 533,785 | 514,187                |            | -3.7%  |
| Cheese         | 808,001 | 858,531                |            | 6.3%   |
| WMP            | 275,729 | 306,489                |            | 11.2%  |
| All Whey       | 644,676 | 690,675                |            | 7.1%   |
| Dry Whey & WPC | 550,662 | 594,786                |            | 8.0%   |
| Lactose Pharma | 202,840 | 249,517                |            | 23.0%  |
| Casein         | 54,349  | 54,757                 |            | 0.8%   |
| AMF            | 24,169  | 24,057                 |            | -0.5%  |

### New Zealand Dairy Exports

- After posting some relatively big y/y gains in November, New Zealand dairy exports dropped off across most products in December
- On the face of it, exports for 2020 looked generally weaker however strong exports for most of these products in 2019 is skewing the y/y percentage difference somewhat

| Source: GTT    |            | NZ Dairy Exports  |            | StoneX |
|----------------|------------|-------------------|------------|--------|
| Jan-Dec        |            | YTD Metric Tonnes |            |        |
| Product        | 2019 Cumul | 2020 Cumul        | Cumul. Y/Y | Diff.  |
| WMP            | 1,563,420  | 1,563,047         |            | 0.0%   |
| SMP            | 378,973    | 362,395           |            | -4.4%  |
| Infant Formula | 141,301    | 123,983           |            | -12.3% |
| Butter & AMF   | 485,932    | 446,867           |            | -8.0%  |
| Butter         | 280,555    | 242,003           |            | -13.7% |
| AMF            | 205,377    | 204,864           |            | -0.2%  |
| Cheese         | 348,388    | 340,390           |            | -2.3%  |
| Dry Whey & WPC | 12,969     | 15,064            |            | 16.2%  |
| Lactose Pharma | 22,570     | 26,859            |            | 19.0%  |
| Caseinates     | 30,680     | 36,850            |            | 20.1%  |
| Casein         | 58,178     | 50,818            |            | -12.7% |

### Chinese Dairy Imports

- Chinese demand remained strong overall in 2020 although three of the biggest product groups saw imports down on 2019 levels
- Once again, this decline is due to record imports in 2019 skewing the y/y difference a little
- Butter, AMF, Cheese and Whey all saw new records imports in 2020

| Source: GTT     |         | Chinese Dairy Imports |            | StoneX |
|-----------------|---------|-----------------------|------------|--------|
| Jan-Dec         |         | YTD Metric Tonnes     |            |        |
| Product         | 2019    | 2020                  | Cumul. Y/Y | Diff.  |
| WMP             | 664,012 | 633,551               |            | -4.6%  |
| SMP             | 343,616 | 335,610               |            | -2.3%  |
| Infant Formula  | 356,232 | 348,112               |            | -2.3%  |
| Butter & AMF    | 85,545  | 115,616               |            | 35.2%  |
| Butter          | 61,585  | 85,580                |            | 39.0%  |
| AMF             | 23,961  | 30,036                |            | 25.4%  |
| Cheese          | 114,862 | 129,265               |            | 12.5%  |
| Whey Powder/WPC | 451,188 | 622,770               |            | 38.0%  |
| Lactose Pharma  | 76,034  | 97,122                |            | 27.7%  |
| Caseinates      | 17,544  | 19,398                |            | 10.6%  |

## Outlook

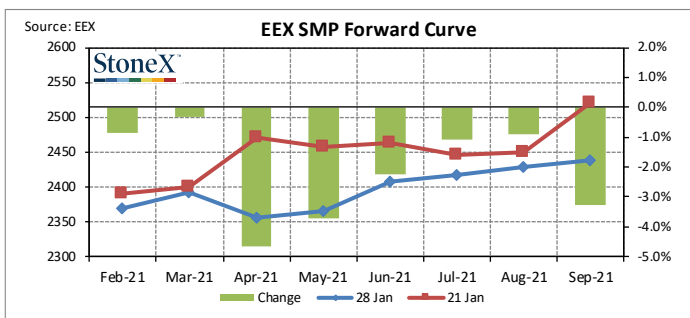
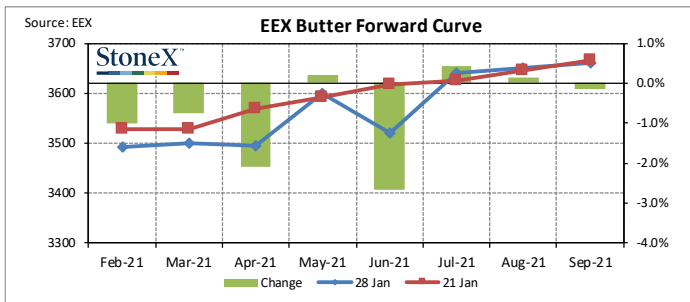
Looking ahead to the coming months, relatively strong dairy commodity prices should see milk prices hold up at a level that will help sustain good milk supplies. As we have now moved beyond New Zealand's peak milk producing months of October, November and December, emphasis will now shift to Europe with collections beginning to build momentum towards our peak milk producing months in April and May. Assuming weather conditions remain favourable, there's an expectation that European milk supplies will remain in growth mode. If this is the case, demand will need to remain strong to account for this extra milk and avoid an oversupply scenario which could put downward pressure on prices. The flip-side of this would be the potential of unfavourable weather conditions having a negative impact on grazing condition later in the spring, pushing milk supplies lower, providing even more support for dairy prices. The latest supply data is showing Europe's three biggest milk producers (Germany, France and the UK) posting y/y declines, however strong production numbers from the Netherlands, Italy, Poland, Ireland, Spain, Denmark and Belgium have to date, made up for this shortfall from the big-three.



| EEX Futures              |         | Source: EEX |        | StoneX    |        |     |
|--------------------------|---------|-------------|--------|-----------|--------|-----|
| <b>Butter Quotations</b> |         |             |        |           |        |     |
|                          |         | 27 Jan      | 20 Jan | Change    |        |     |
| Spot Ref (DE/NL/FR)      |         | 3,447       | 3,397  | ↑         | 1.48%  |     |
| <b>Butter Futures</b>    |         |             |        |           |        |     |
|                          |         | 28 Jan      | 21 Jan | Change OI |        |     |
| Feb-21                   | €/tonne | 3491        | 3527   | ↓         | -1.02% | 648 |
| Mar-21                   | €/tonne | 3500        | 3527   | ↓         | -0.77% | 702 |
| Apr-21                   | €/tonne | 3495        | 3570   | ↓         | -2.10% | 372 |
| May-21                   | €/tonne | 3600        | 3593   | ↑         | 0.19%  | 235 |
| Jun-21                   | €/tonne | 3520        | 3617   | ↓         | -2.68% | 265 |
| Jul-21                   | €/tonne | 3640        | 3625   | ↑         | 0.41%  | 130 |
| Aug-21                   | €/tonne | 3650        | 3645   | ↑         | 0.14%  | 130 |
| Sep-21                   | €/tonne | 3660        | 3665   | ↓         | -0.14% | 139 |

|                       |         |        |        |           |        |     |
|-----------------------|---------|--------|--------|-----------|--------|-----|
| <b>SMP Quotations</b> |         |        |        |           |        |     |
|                       |         | 27 Jan | 20 Jan | Change    |        |     |
| Spot Ref (DE/NL/FR)   |         | 2,345  | 2,293  | ↑         | 2.25%  |     |
| <b>SMP Futures</b>    |         |        |        |           |        |     |
|                       |         | 28 Jan | 21 Jan | Change OI |        |     |
| Feb-21                | €/tonne | 2370   | 2390   | ↓         | -0.84% | 878 |
| Mar-21                | €/tonne | 2392   | 2400   | ↓         | -0.33% | 908 |
| Apr-21                | €/tonne | 2355   | 2470   | ↓         | -4.66% | 527 |
| May-21                | €/tonne | 2365   | 2457   | ↓         | -3.74% | 447 |
| Jun-21                | €/tonne | 2408   | 2463   | ↓         | -2.23% | 491 |
| Jul-21                | €/tonne | 2418   | 2445   | ↓         | -1.10% | 54  |
| Aug-21                | €/tonne | 2428   | 2450   | ↓         | -0.90% | 54  |
| Sep-21                | €/tonne | 2438   | 2520   | ↓         | -3.25% | 12  |

|                        |         |        |        |           |        |    |
|------------------------|---------|--------|--------|-----------|--------|----|
| <b>Whey Quotations</b> |         |        |        |           |        |    |
|                        |         | 27 Jan | 20 Jan | Change    |        |    |
| Spot Ref (DE/NL/FR)    |         | 865    | 833    | ↑         | 3.80%  |    |
| <b>Whey Futures</b>    |         |        |        |           |        |    |
|                        |         | 28 Jan | 21 Jan | Change OI |        |    |
| Feb-21                 | €/tonne | 860    | 865    | ↓         | -0.58% | 5  |
| Mar-21                 | €/tonne | 870    | 895    | ↓         | -2.79% | 15 |
| Apr-21                 | €/tonne | 880    | 900    | ↓         | -2.22% | 30 |
| May-21                 | €/tonne | 885    | 910    | ↓         | -2.75% |    |
| Jun-21                 | €/tonne | 890    | 920    | ↓         | -3.26% |    |
| Jul-21                 | €/tonne | 900    | 920    | ↓         | -2.17% |    |
| Aug-21                 | €/tonne | 900    | 900    | →         | 0.00%  |    |
| Sep-21                 | €/tonne | 895    | 895    | →         | 0.00%  |    |

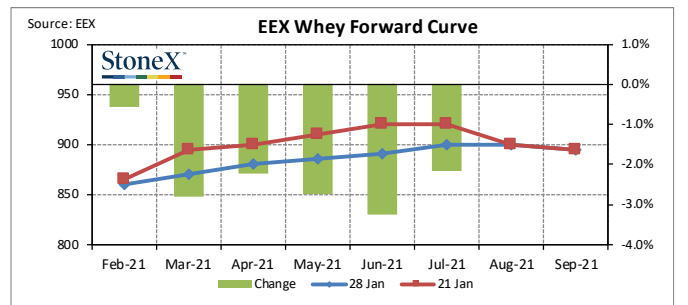


| NZX Futures                 |            | Source: NZX |        | StoneX    |        |      |
|-----------------------------|------------|-------------|--------|-----------|--------|------|
| <b>GDT WMP - NZ Regular</b> |            |             |        |           |        |      |
|                             |            | 19 Jan      | 05 Jan | Change    |        |      |
| Contract 2                  | US\$/tonne | 3,345       | 3,280  | ↑         | 1.98%  |      |
| <b>WMP Futures</b>          |            |             |        |           |        |      |
|                             |            | 28 Jan      | 21 Jan | Change OI |        |      |
| Feb-21                      | US\$/tonne | 3400        | 3400   | →         | 0.00%  | 5789 |
| Mar-21                      | US\$/tonne | 3385        | 3415   | ↓         | -0.88% | 6355 |
| Apr-21                      | US\$/tonne | 3390        | 3445   | ↓         | -1.60% | 2180 |
| May-21                      | US\$/tonne | 3385        | 3440   | ↓         | -1.60% | 1740 |
| Jun-21                      | US\$/tonne | 3395        | 3425   | ↓         | -0.88% | 1678 |
| Jul-21                      | US\$/tonne | 3420        | 3425   | ↓         | -0.15% | 1020 |
| Aug-21                      | US\$/tonne | 3420        | 3420   | →         | 0.00%  | 567  |
| Sep-21                      | US\$/tonne | 3420        | 3415   | ↑         | 0.15%  | 511  |

|                              |            |        |        |           |        |      |
|------------------------------|------------|--------|--------|-----------|--------|------|
| <b>GDT SMP - NZ Med Heat</b> |            |        |        |           |        |      |
|                              |            | 19 Jan | 05 Jan | Change    |        |      |
| Contract 2                   | US\$/tonne | 3,265  | 3,050  | ↑         | 7.05%  |      |
| <b>SMP Futures</b>           |            |        |        |           |        |      |
|                              |            | 28 Jan | 21 Jan | Change OI |        |      |
| Feb-21                       | US\$/tonne | 3200   | 3240   | ↓         | -1.23% | 2530 |
| Mar-21                       | US\$/tonne | 3140   | 3235   | ↓         | -2.94% | 1720 |
| Apr-21                       | US\$/tonne | 3140   | 3230   | ↓         | -2.79% | 1585 |
| May-21                       | US\$/tonne | 3100   | 3225   | ↓         | -3.88% | 1293 |
| Jun-21                       | US\$/tonne | 3085   | 3220   | ↓         | -4.19% | 876  |
| Jul-21                       | US\$/tonne | 3090   | 3160   | ↓         | -2.22% | 379  |
| Aug-21                       | US\$/tonne | 3075   | 3150   | ↓         | -2.38% | 557  |
| Sep-21                       | US\$/tonne | 3070   | 3150   | ↓         | -2.54% | 251  |

|                                  |            |        |        |           |        |    |
|----------------------------------|------------|--------|--------|-----------|--------|----|
| <b>GDT AMF - AU/NZ Reg 210kg</b> |            |        |        |           |        |    |
|                                  |            | 19 Jan | 05 Jan | Change    |        |    |
| Contract 2                       | US\$/tonne | 5,450  | 4,605  | ↑         | 18.35% |    |
| <b>AMF Futures</b>               |            |        |        |           |        |    |
|                                  |            | 28 Jan | 21 Jan | Change OI |        |    |
| Feb-21                           | US\$/tonne | 5375   | 5320   | ↑         | 1.03%  | 65 |
| Mar-21                           | US\$/tonne | 5375   | 5300   | ↑         | 1.42%  | 45 |
| Apr-21                           | US\$/tonne | 5375   | 5280   | ↑         | 1.80%  | 45 |
| May-21                           | US\$/tonne | 5375   | 5265   | ↑         | 2.09%  | 45 |
| Jun-21                           | US\$/tonne | 5250   | 5250   | →         | 0.00%  | 45 |
| Jul-21                           | US\$/tonne | 5225   | 5225   | →         | 0.00%  | 20 |
| Aug-21                           | US\$/tonne | 5200   | 5200   | →         | 0.00%  | 20 |
| Sep-21                           | US\$/tonne | 5320   | 5320   | →         | 0.00%  | 40 |

|                                 |            |        |        |           |        |     |
|---------------------------------|------------|--------|--------|-----------|--------|-----|
| <b>GDT Butter - NZ Unsalted</b> |            |        |        |           |        |     |
|                                 |            | 19 Jan | 05 Jan | Change    |        |     |
| Contract 2                      | US\$/tonne | 4,710  | 4,520  | ↑         | 4.20%  |     |
| <b>Butter Futures</b>           |            |        |        |           |        |     |
|                                 |            | 28 Jan | 21 Jan | Change OI |        |     |
| Feb-21                          | US\$/tonne | 4660   | 4660   | →         | 0.00%  | 322 |
| Mar-21                          | US\$/tonne | 4650   | 4660   | ↓         | -0.21% | 436 |
| Apr-21                          | US\$/tonne | 4800   | 4870   | ↓         | -1.44% | 382 |
| May-21                          | US\$/tonne | 4600   | 4790   | ↓         | -3.97% | 437 |
| Jun-21                          | US\$/tonne | 4600   | 4560   | ↑         | 0.88%  | 263 |
| Jul-21                          | US\$/tonne | 4500   | 4500   | →         | 0.00%  | 284 |
| Aug-21                          | US\$/tonne | 4450   | 4450   | →         | 0.00%  | 217 |
| Sep-21                          | US\$/tonne | 4400   | 4400   | →         | 0.00%  | 265 |



Chicago Mercantile Exchange

|                       |  | Source: CME |        | StoneX           |        |       |          |   |       |   |    |
|-----------------------|--|-------------|--------|------------------|--------|-------|----------|---|-------|---|----|
|                       |  | 28 Jan      | 21 Jan | 28-Jan (€/tonne) |        |       |          |   |       |   |    |
| Class III Milk        |  | 16.12       | 16.15  | ↓                | -0.19% | 3,383 | US\$/cwt | € | 292   | € | -1 |
| Class IV Milk         |  | 13.80       | 13.80  | →                | 0.00%  | 381   | US\$/cwt | € | 250   | € | -  |
| Cheese (Cash Settled) |  | 1.66        | 1.66   | ↓                | -0.30% | 1,042 | US\$/lb  | € | 3,002 | € | -0 |
| Butter (Cash Settled) |  | 146.20      | 146.00 | ↑                | 0.14%  | 381   | USc/lb   | € | 2,646 | € | +4 |
| Nonfat Dry Milk       |  | 113.80      | 114.13 | ↓                | -0.28% | 1,040 | USc/lb   | € | 2,059 | € | -6 |
| Dry Whey              |  |             |        |                  |        |       |          |   |       |   |    |





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Among our services are the proprietary Integrated Risk Management Program (IRMP), as well as exchange and OTC execution and clearing services, designed to limit risk and enhance margins and bottom-line results; physical trading in base metals, precious metals and grains; a global foreign exchange and currency payment service; asset management; equities market-making; securities execution and trading; and investment banking advisory services.

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