

GDT event 171 heads-up

After two consecutive events in which the GDT price index rose by respectively 6,6% and 12,7%, it will be interesting to see if the rally continues. The signals are positive for a hat trick. NZ remained more competitive than USA and EU sources and participants on NZX seem to expect some fireworks too, tomorrow.

On offer tomorrow:

GDT Event 171						
Sales Group Maximum Supply (MT)	Contract 1 (Oct 16)	Contract 2 (Nov 16)	Contract 3 (Dec 16)	Contract 4 (Jan 17)	Contract 5 (Feb 17)	Contract 6 (Mar 17)
Anhydrous Milk Fat	315	1310	865	720	390	175
Butter Milk Powder	0	200	150	50	0	0
Butter	190	1095	670	545	300	150
Cheddar	60	440	440	440	100	0
Rennet Casein	50	250	150	125	0	0
Skim Milk Powder	350	4250	2050	1225	1000	400
Whole Milk Powder	1000	6000	4700	4800	2500	500

The total quantity on offer is 37.955, 1.220 t less than the previous event and 1.400t more than the same event in 2015.

If we look at how Fonterra (and NZ as a whole) is placed against its main competitors, there is no doubt that tomorrow's event should see a significant increase in prices across the board:

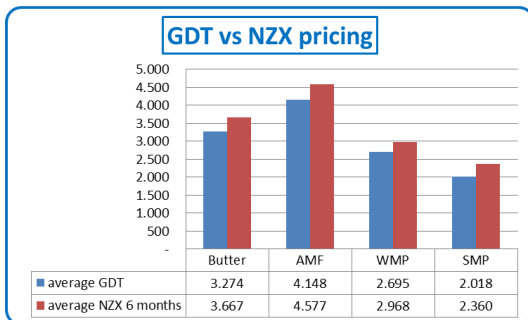
Price comparison NZ, USA & EU based on FOB prices			
US\$/t	GDT	USA: CME+fob cost)	EU+ FOB cost
Butter	3.274	4.620	4.243
Cheddar	3.157	3.760	3.573
SMP	2.028	2.020	2.235
WMP	2.695	***3.050	2.903

*** USA WMP price is based on latest USDA publication.

The differences in price to the nearest competitor:

US\$/t	Δ
Butter	-969 vs EU
Cheddar	-416 vs EU
SMP	
WMP	-208 vs EU

The signals coming from NZX activity are equally bullish:



	average GDT	average NZX 6 months	average premium paid on NZX over GDT	in %
Butter	3.274	3.667	393	12%
AMF	4.148	4.577	429	10,30%
WMP	2.695	2.968	273	10,13%
SMP	2.018	2.360	342	16,94%

Overall, it is looking like GDT could take yet another significant step tomorrow, which we would not be surprised to be in the region of 7-10% vs the previous GDT event 170.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 171 and as always, global price, export/import, production information and any other matters that have an impact on price developments.

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