

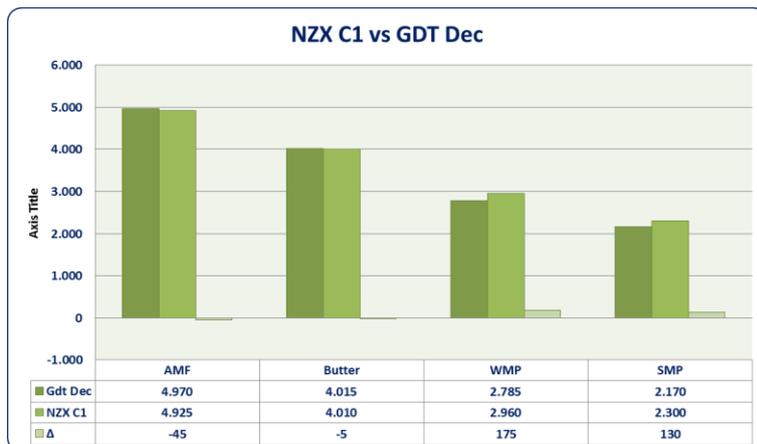
## GDT event 175 heads-up

The previous GDT saw a modest increase of 1,7% in the average winning price. This in spite of very bullish information coming from New Zealand about wet weather related strong declines in milk production. The market did not buy into that then but this may be a completely different story on the GDT event 175 of coming Tuesday. Even though it is true that September production was not as bad as predicted, we continue to receive signals that weather indeed is playing havoc with milk output that will be thoroughly felt in October. In response to that, Fonterra has readjusted its milk forecast to -4,15% for the running season, or 63 million kgs milk solids, about 750 million kgs milk. Along with strong declines in Australia ( Sept -10,2%) and EU ( Sept> -3%) as well as declining stocks in EU and USA price decreases for the next few months seem off the table. As a precaution, Fonterra again reduced offered volumes:

On offer Tuesday on GDT event 175:

GDT Event 175							
	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5	Contract 6	total
Anhydrous Milk Fat (AMF)	310	1.175	780	510	280	125	3.180
Butter Milk Powder (BMP)	-	200	50	-	-	-	250
Butter (Butter)	140	800	610	410	215	125	2.300
Cheddar (Ched)	80	440	430	400	100	-	1.450
Rennet Casein (RenCas)	50	300	160	140	-	-	650
Skim Milk Powder (NZ & AU SMP)	350	2.525	1.500	700	450	150	5.675
Whole Milk Powder (WMP)	1	5.940	3.760	2.300	1.300	300	13.601
							27.106
Same event last year							35.215
Previous event							35.125

The total quantity on offer is 27.106 mt, 8.000mt less than the same event in 2015 and 8.000 mt less than the previous event.



Should NZX pricing be on the ball, we are likely to see a hike in Powder prices. In addition, Butter and AMF have further upward potential as NZ is more competitively priced than EU and USA.

It remains uncertain in how far the market will be taking precautions to protect itself against significant supply constraints in the next months from both Oceania and Europe. It seems reasonable to expect event 175 to go up. Based on our own assessment, we believe event 175 could go up by between 4 to 7%.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 174 and as always, global prices, export/import, production information and any other matters that have an impact on price developments.

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