



## GDT event 178 heads-up

It will be an interesting GDT event tomorrow against the background of NZX that had to give in some its gains over the weeks after the last event. NZ seems overpriced against the USA and EU but the latter markets have converged somewhat to NZ levels.

In the EU milk has been coming down strongly with the cards on November production to decrease by more than 4% year on year.

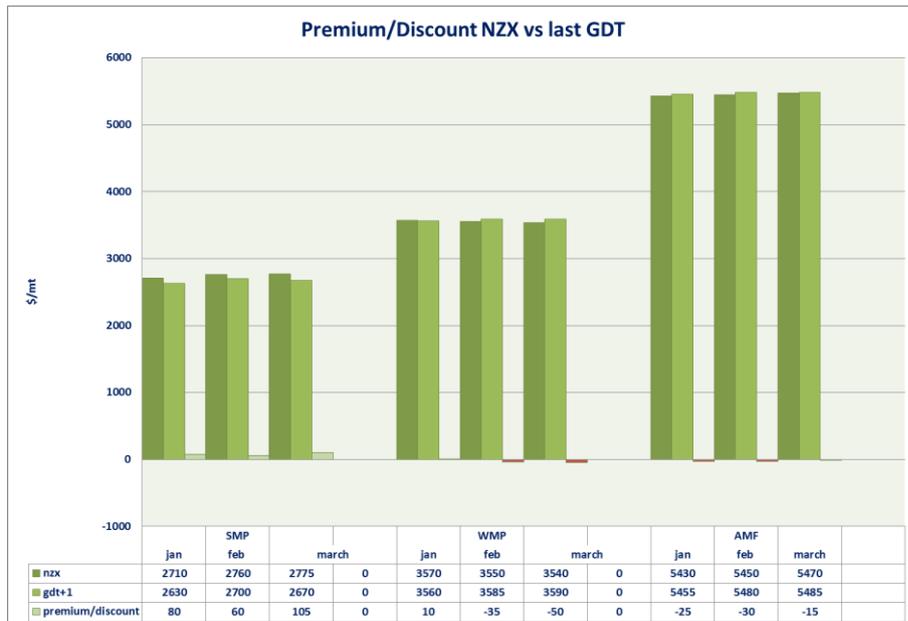
The EU had another push in the back by a master stroke of mass communication by the EU committee. After surprising the dairy world by their intent to start selling SMP intervention stocks, they have made it clear last week that indeed there are huge stocks available in the EU but those buyers that thought those will be sold off at low prices are wrong. The EU refused to accept any bids below € 2.150,-/mt so that for the time being that is the bottom of the market. Especially when we look at private stocks that were ytd October 200.000mt lower than at the beginning of the year this doesn't seem unreasonable.

On offer on Tuesday on GDT event 178:

Sales Group Maximum Supply (MT)	Contract 1 (Jan 17)	Contract 2 (Feb 17)	Contract 3 (Mar 17)	Contract 4 (Apr 17)	Contract 5 (May 17)	Contract 6 (Jun 17)
Anhydrous Milk Fat (AMF)	210	1.070	705	445	250	115
Butter Milk Powder (BMP)	-	150	50	-	-	-
Butter (Butter)	125	715	510	325	200	90
Cheddar (Ched)	80	350	320	295	60	-
Rennet Casein (RenCas)	50	300	150	75	-	-
Skim Milk Powder (NZ & AU SMP)	200	2.175	725	350	300	100
Whole Milk Powder (WMP)	1.000	4.670	2.700	2.200	1.250	300

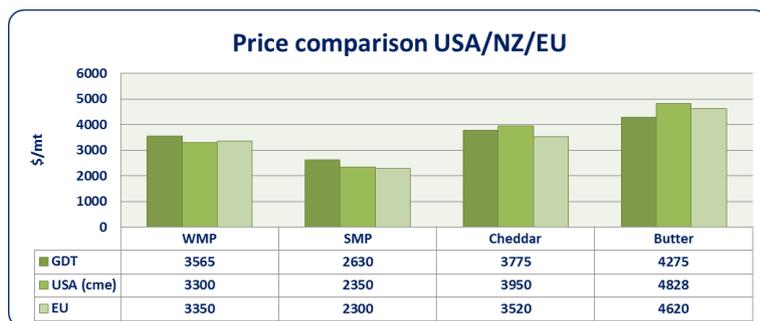
The total quantity on offer is 22.610 mt, 410 mt less than the previous event and 2.985 mt less than the same event last year.

If we look at NZX, there seem to be mixed feeling about tomorrow's outcome:



Only SMP has been trading at a premium through all three contracts. WMP and AMF all trade at a discount, except C1 WMP.

If we compare last GDT prices with current prices of USA and EU:



- NZX indicates further increases in SMP
- EU and USA however are considerably more competitive
- Biggest increases could be expected in Butter where GDT is the least expensive. This has been the case for some time however so that an increase is all but guaranteed, in spite of the huge discount.

Taking NZX premiums/discounts currently paid, GDT's price ranking amongst competitors and the generally firmer market tendency but lower end of December activity, we believe tomorrow's GDT average winning price will remain flat with our bets rather on a small loss than on a small gain.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 177 and as always, global price, export/import & production information and any other matters that have an impact on dairy price developments.

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