



GDT event 179 heads-up

Against the background of a clearly stronger market sentiment just before Christmas, it will be interesting to see how the first GDT event of 2017 will pan out.

New Zealand milk production was down by 4,5% in November and 5,35% down in terms of Milk Solids. Fonterra's production however, declined by 8% in October and still bases itself on a 16-17 season of -5% / -7%. Against that background Fonterra has announced to be producing more WMP this season as this gives the best stream result compared to other commodities.

Meanwhile, USA November production was + 2,4% and the EU's is running at approximately -4,5%.

On offer on Tuesday on GDT event 179:

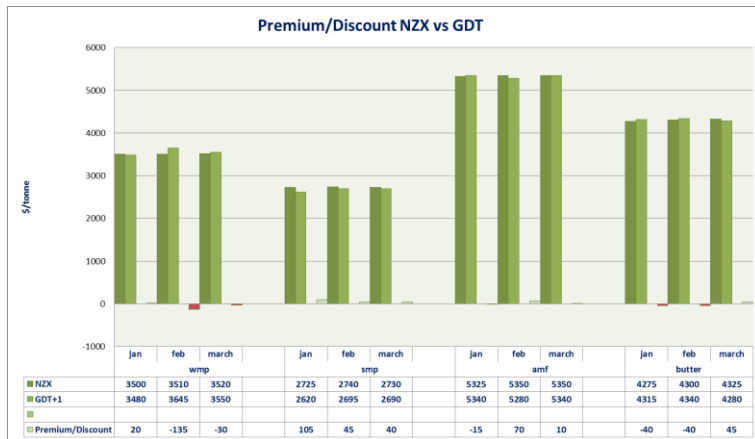
Sales Group Maximum Supply (MT)	Contract 1 (Feb 17)	Contract 2 (Mar 17)	Contract 3 (Apr 17)	Contract 4 (May 17)	Contract 5 (Jun 17)	Contract 6 (Jul 17)
Anhydrous Milk Fat (AMF)	210	1.000	605	370	200	115
Butter Milk Powder (BMP)	-	150	50	-	-	-
Butter (Butter)	125	655	465	255	145	90
Cheddar (Ched)	80	350	310	290	60	-
Rennet Casein (RenCas)	50	300	125	50	-	-
Skim Milk Powder (NZ & AU SMP)	350	1.625	950	400	300	100
Whole Milk Powder (WMP)	1.500	5.200	2.600	2.000	1.250	300

The total quantity on offer is 22.625 mt, 500 mt more than the previous event and 3.550 mt less than the same event last year.

If we look at NZX:

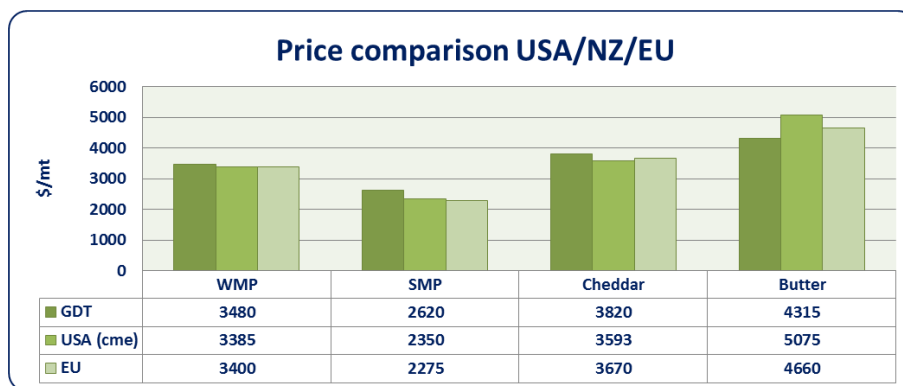
Greenmark Dairy , 2nd January 2017

©2016 Greenmark's weekly dairy market update is copyright protected. It is not allowed to the addressee to share in any conceivable way (Part of) its contents with other persons or companies without prior written permission from Greenmark Dairy Ingredients.



It seems clear that Fonterra's announcement did not go unnoticed. Except C1, WMP is trading at a discount. SMP is trading at a premium through all three contracts as the market would expect SMP to suffer most from the incremental allocation of milk to WMP. Strangely enough this does not lead to equal premiums in AMF & Butter even if they will suffer equally from the re allocation and besides, they are much more competitive than USA & EU prices.

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.
- NZX indicators would hint to small losses for WMP

Taking NZX premiums/discounts currently paid, GDT's price ranking amongst competitors, we believe tomorrow's GDT average winning price will show a loss between -2 and -4%.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 179 and as always, global price, export/import & production information and any other matters that have an impact on dairy price developments.

Should you be interested in a subscription on Greenmark's Dairy Market Report, please go to:

<http://www.greenmarkdairy.com/subscription-info--application-form.html>