



GDT event 181 heads-up

Against the background of an overall weaker market sentiment and declining milk production contractions the market is searching for further guidance in price direction. In that respect and in absence of other major events on the agenda, tomorrow's GDT event 181 may play a pivotal role. If we look at the current playing field however the odds for a price recovery seem absent.

New Zealand milk production was down by 2,75% in December which compares to -4,5% in November.

Meanwhile, USA December production was + 2,2% and the EU's is currently running at approximately -3%.

On offer on Tuesday on GDT event 181:

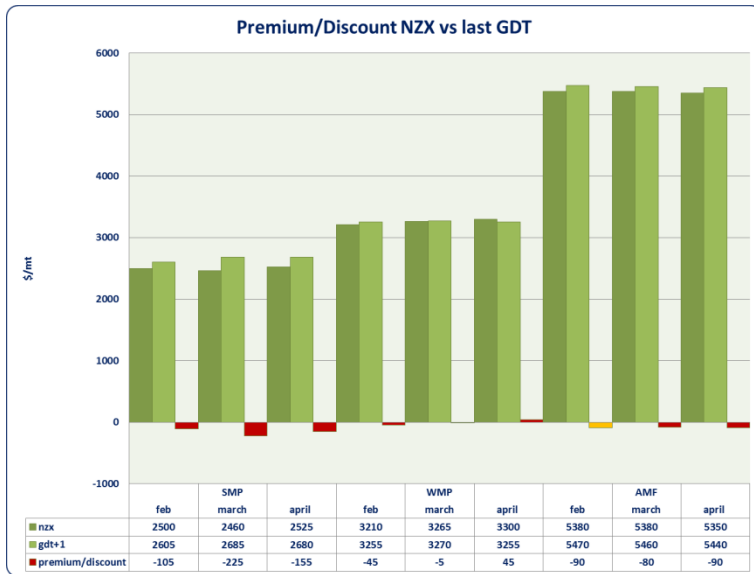
Sales Group Maximum Supply (MT)	Contract 1 (Mar 17)	Contract 2 (Apr 17)	Contract 3 (May 17)	Contract 4 (Jun 17)	Contract 5 (Jul 17)	Contract 6 (Aug 17)
Anhydrous Milk Fat	190	935	545	310	140	115
Butter Milk Powder	-	200	75	-	-	-
Butter (Butter)	125	635	450	240	120	90
Cheddar	60	305	300	290	60	-
Rennet Casein	50	275	125	50	-	-
Skim Milk Powder	200	1.100	625	475	250	150
Whole Milk Powder	1.250	500	3.300	2.000	1.500	250

The total quantity on offer is 17.285 mt, 5.340 mt less than the previous event and 9.020 mt less than the same event last year.

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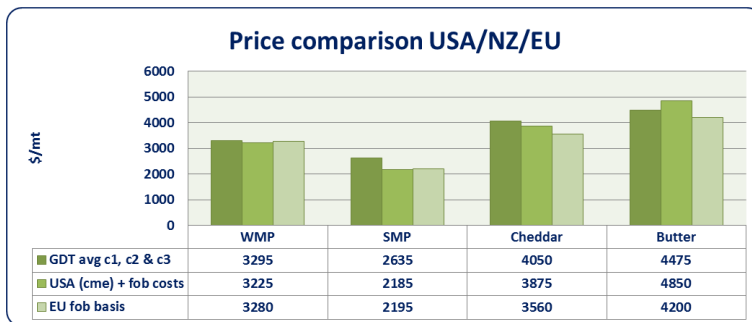
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If we look at NZX:



It seems clear that NZX participants expect weaker prices on GDT. Except for C3 WMP, all futures are traded at a discount to GDT.

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



- NZX indicates further decreases for all products
- EU and USA , are considerably more competitive for all products
- Biggest decreases could be expected in Butter where GDT is the \$ 275/t priced higher than EU.
- SMP continues to follow weaker pricing in USA and EU
- NZX indicators would hint to relatively stable WMP outcome

Taking NZX premiums/discounts currently paid, GDT’s price ranking amongst competitors, strongly declined offered volumes and expected stable pricing for WMP, we believe tomorrow’s GDT average winning price will show a loss between -3 and -5%.

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.

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