



GDT event 182 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 182 may play, once again, a crucial role.

Smaller than expected contractions in milk production in NZ play a key role, especially as they are such that Fonterra increased their 12 month forecast by 12.545 mt from their previous forecast of two weeks ago. The tonnage is equally split between SMP and WMP offerings.

On offer on Tuesday on GDT event 182:

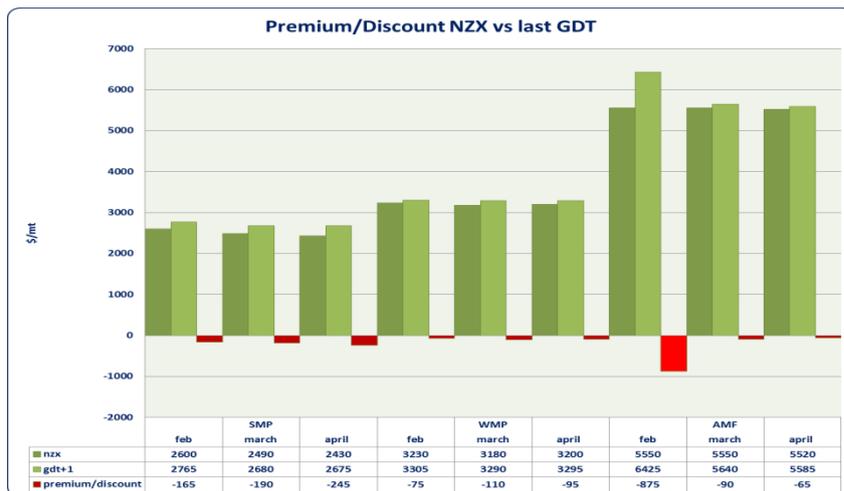
Sales Group Maximum Supply (MT)	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5	Contract 6
Anhydrous Milk Fat (AMF)	190	945	545	310	140	-
Butter Milk Powder (BMP)	-	200	75	-	-	-
Butter (Butter)	125	675	450	240	120	-
Cheddar (Ched)	60	305	300	290	60	-
Rennet Casein (RenCas)	50	275	150	50	-	-
Skim Milk Powder (NZ & AU SMP)	100	850	475	375	250	-
Whole Milk Powder (WMP)	1.250	5.500	3.600	2.100	1.500	-

The total quantity on offer is 21.555, slightly less than the previous event and just under 3000 mt less than the same event last year.

If we look at NZX:

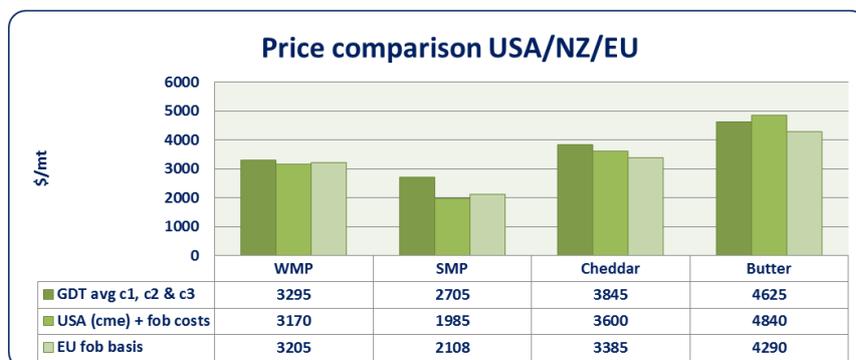
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It is clear that NZX participants expect weaker prices on GDT, all futures are traded at a discount to GDT.

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 & Cheddar.
- SMP on GDT is \$ 720/t more expensive than USA's and \$ 600/t than EU's.
- NZX futures are all trading at a discount to GDT.

At the previous GDT event we have seen that NZX can be completely wrong where it comes to forecasting GDT events so cautiousness is required. However, based on NZX discounts currently paid, GDT's price ranking amongst competitors, increases in forecast volumes and the general bearish sentiment on the market, we believe tomorrow's GDT average winning price will show a loss between -3 and -6%.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 182 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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