



GDT event 183 heads-up

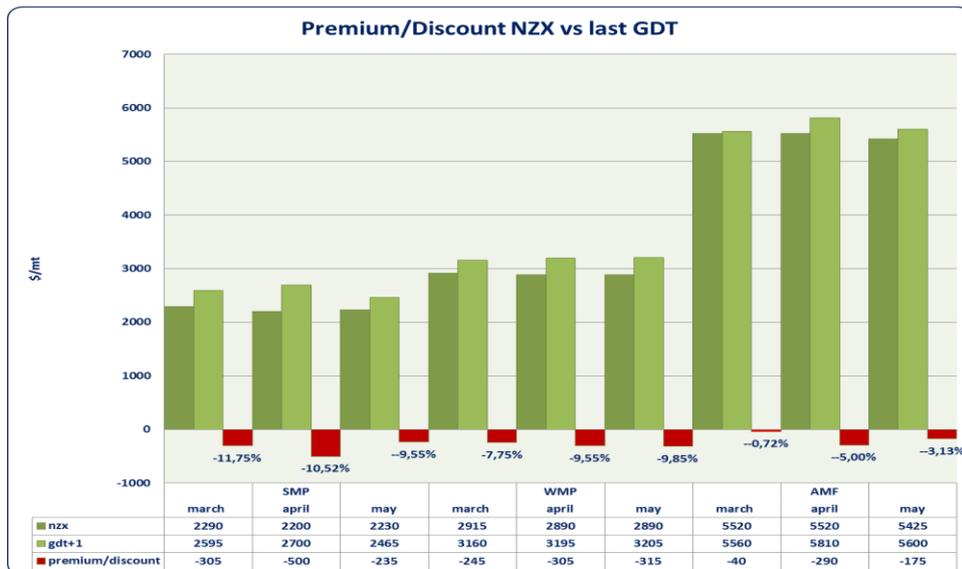
Against the background of an overall weaker market sentiment and declining milk production contractions the market is searching for further guidance in price direction. In that respect and in absence of other major events on the agenda, tomorrow's GDT event 183 will provide that, but not in a good way.

January production of New Zealand was unexpectedly high at -0,7% based on milk but + 0,8% based on milk solids. Strongly improved milk output has urged Fonterra to lift their 12 month GDT offer forecast by 15.000 mt WMP, 10.000mt SMP and 147 mt Cheddar, an increase of 4,2% vs the previous forecast.

Sales Group Maximum Supply (MT)	Contract 1 (Apr 17)	Contract 2 (May 17)	Contract 3 (Jun 17)	Contract 4 (Jul 17)	Contract 5 (Aug 17)	Contract 6 (Sep 17)
Anhydrous Milk Fat	180	870	470	300	165	-
Butter Milk Powder	50	350	175	50	-	-
Butter	120	620	430	255	125	-
Cheddar	100	250	250	250	-	-
Rennet Casein	50	275	150	50	-	-
Skim Milk Powder	175	1.820	1.385	500	375	-
Whole Milk Powder	2.100	5.250	4.500	1.000	485	-

The total quantity on offer is 23.125, 1.570 more than in the previous event and 1.395 mt less than the same event last year.

If we look at NZX:

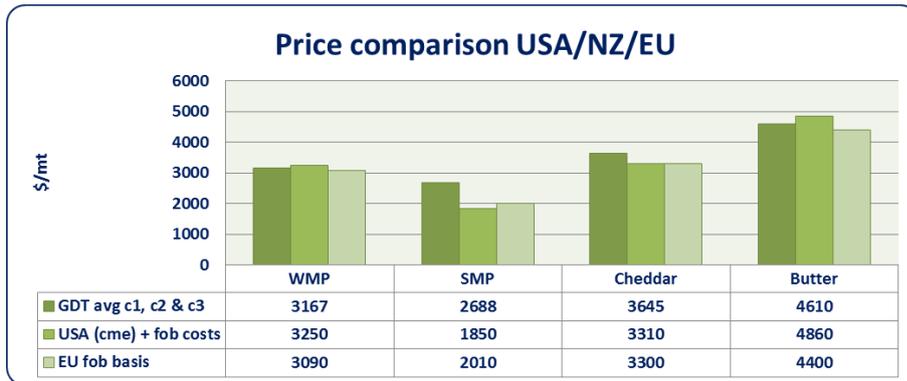


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It is clear that NZX participants expect much weaker prices on GDT, all futures are traded at a steep discount to GDT.

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



- Fonterra’s increase on offered volumes is a strong bearish input
- NZX indicates further and severe decreases for all products.
- EU and USA are considerably more competitive for all products and especially on SMP the gap has widened
- SMP on GDT is \$ 828/t more expensive than USA’s and \$ 678/t than EU’s.
- Biggest decreases are to be expected in SMP, WMP and Cheddar.
- NZX futures are all trading at significant discounts to GDT.

In previous GDT events we have seen that NZX is often right in terms of direction but hardly every quite on the money. 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 -6,5 and -8%.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 183 and as always, global prices, export/import & production information and any other matters that have an impact on dairy price developments.

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