

GDT event 206 heads-up

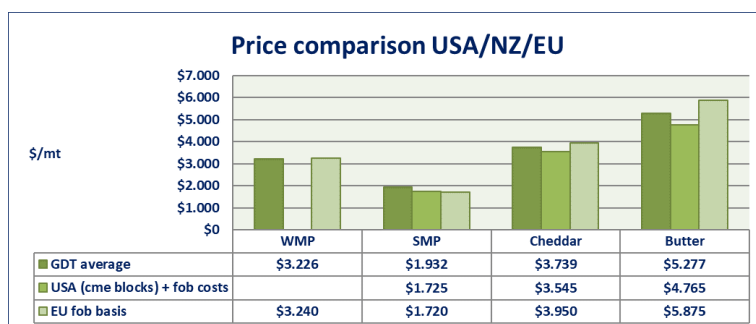
Event 206 is held against the background of a tense and bullish butterfat market and a continuing slow market for the protein side.

At the end of last week, Fonterra announced an increase of offered volumes of WMP for the next 12 months on the back of an optimised product mix and 'slight improvements in supply associated with recent rain in New Zealand'. How quickly things can change!

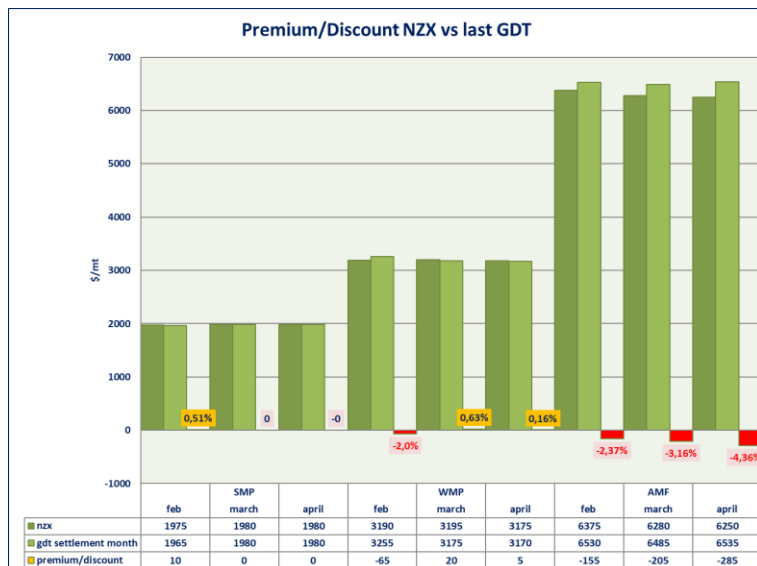
On offer on today's GDT event 206;

Sales Group Maximum Event 206	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5
Anhydrous Milk Fat	310	1.475	950	450	290
Butter (Butter)	140	855	525	345	245
Cheddar	80	325	325	325	80
Rennet Casein	25	125	100	75	50
Skim Milk Powder	100	1.350	775	525	300
Whole Milk Powder	1.500	4.100	2.050	1.650	1.350

The total quantity on offer is 20.795 mt, 1.735 mt less than what was offered in the previous event and 760mt less than in the corresponding event last year.



NZ is the most favourable origin for WMP but the difference with EU is minimal and even absent if we look at some destinations. Cheddar NZ pays a \$ 200/mt premium compared to USA. Butter comes at its most competitive from EU. USA Butter sells at a discount of \$ 500/mt compared to NZ and \$ 1100/mt compared to EU. USA and EU SMP remain at a \$ 200/mt discount compared to NZ.



- Premiums paid on NZX for WMP are nearly absent, likely vanished on the back of ongoing weather improvements.
- NZX Futures prices would suggest a small gain on tomorrow's GDT event.
- Fundamentally however, judging the commodities like for like and independent of origin, the current market would suggest a modest fall in the GDT index.
- During tomorrow's event, there's the Gulfood show and Chinese New Year which may have an impact on the number of participants.
- Later in the week, on Thursday, EU will publish the result of its tender sale of intervention SMP.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 206. As usual, this will be on top of the Global export, import, price, production & stock situation. As always, we will comment on any other matters that may have an impact on dairy price developments.

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