

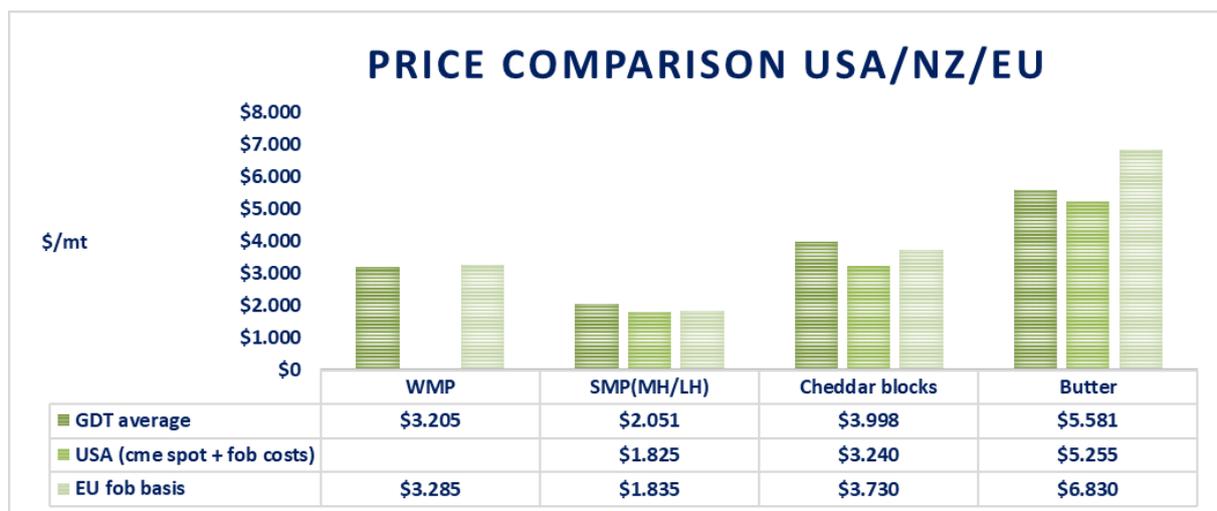
## GDT event 214 heads-up

Event 214 is held against the background of a modestly active market while Trump's insistence on charging higher tariffs on Steel and Aluminum is threatening to derail in a trade war which won't leave Dairy unaffected. For the moment several countries have published lists with (dairy) products of US origin that will be levied heavily starting early July. Should this move forward, it will have a significant impact on trade flows but there is still the off chance parties will come to their senses in the next couple of weeks.

### On offer on today's GDT event 214;

Maximum Supply Event 214	Contract 1	Contract 2	Contract 3	Contract 4	Contract 5	Contract 6
Anhydrous Milk Fat	760	845	690	335	330	110
Butter	195	600	420	275	240	85
Cheddar	100	0	300	350	100	0
Rennet Casein	25	125	125	100	50	0
Skim Milk Powder	150	1.100	750	1.015	960	200
Whole Milk Powder	3.050	1.955	2.065	1.985	1.840	400

The total quantity on offer is 21.630 mt, 130 mt more than what was offered in the previous event and 400mt less than what was offered in the same event last year.



Overnight, prices on CME saw a drop in values over the news of Chinese retaliation measures on Dairy from USA. At this point , US origin is the cheapest for all commodities except SMP which is more or less on par with EU origin.



- The SMP front contract trades at a discount whilst C2 and C3 demand a premium vs GDT.
- The C1 and C2 WMP futures trade at slight discounts while C3 trades at a premium.
- Current NZX Futures prices would suggest a small loss on the GDT index today.
- We remain pessimistic about SMP prices given the hefty stock levels all over the world.
- Despite strong exports in April, NZ still has a calculated stock position (Production – export/domestic consumption + imports) approaching about 750 million kgs LME with the '17 – '18 season finished last week.
- Under different circumstances we would agree that GDT needs to go down. Given the current state of play with regards to elevated import duties for US products however, we are expecting an increase today on the back of strategic replacing of US origin by NZ and EU.
- Given the price difference between NZ and USA however, a more likely port of call would be EU so that we believe we will see an increase today but that it will remain limited. We would estimate between 0,5% to 1,5%.

In our weekly Dairy Market Report of coming Wednesday, we will report with an analysis of event 214. As usual, this will be on top of the Global export, import, price, production, consumption & stock situation. As always, we will comment on any other matters that may have an impact on dairy price developments.

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