

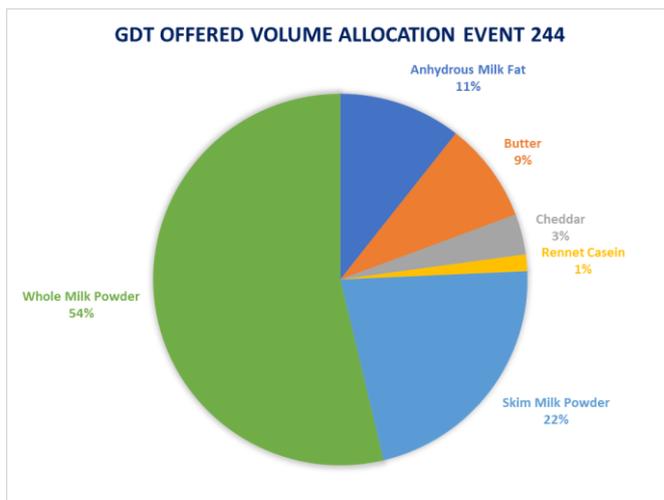
The Greenmark GDT heads-up, event 244

Event 244 is held against a more positive market sentiment that saw cash market for Butter and Cheese move up both in the EU and the US, while futures markets saw upticks across the board. At home in Fonterra land however positive sentiment development falters over Fonterra’s pre-warning of a big loss in the financial book year ‘18-’19. Initially, the official figures would be presented last week but that date has been shifted to the end of this month – providing room for speculations if the final financial figures will not be worse than already warned for. In our weekly report we wrote two weeks ago that there is more downside in the air, especially relating to further write-offs later in the year on China farms (in which Fonterra invested about \$ 1 billion over the years but appears hard to sell now) and a possible sale of its 18.8% stake in Beingmate.

Meanwhile, Fonterra works on further restructuring and costs cuts where possible. Fonterra already froze wages for staff that earn over NZ\$ 100,000/year and scrapped all bonuses and this week the news is spreading that a big lay-off of staff is imminent.

On offer at Event 244:

GDT event 244						
Sales Group Maximum Supply (MT)	Contract 1 (Oct 19)	Contract 2 (Nov 19)	Contract 3 (Dec 19)	Contract 4 (Jan 19)	Contract 5 (Feb 20)	Contract 6 (March 20)
Anhydrous Milk Fat	265	1,400	1,020	800	415	290
Butter	185	1,100	845	675	400	245
Cheddar	90	400	400	400	100	0
Rennet Casein	50	250	175	100	0	0
Skim Milk Powder	250	3,375	1,850	1,675	1,550	0
Whole Milk Powder	2,150	8,500	4,500	3,765	2,325	0



The total offered volume is 39,545 mt, the same product package as in the previous event (except the 580 mt BMP that were offered in the previous event)

Product	event 243	event 244	change	change %
AMF	4,190	4,190	0	0.00%
Butter	3,450	3,450	0	0.00%
Cheddar	1,390	1,390	0	0.00%
Rennet casein	575	575	0	0.00%
SMP	8,700	8,700	0	0.00%
WMP	21,240	21,240	0	0.00%
Total	39,545	39,545	0	0.00%

There have not been made any major adjustments to offered volumes for the next 12 months.

Since the last GDT event of two weeks ago, changes in futures were as follows:

NZX Futures changes since last GDT					
		settlements 2/9	settlements 16/9	Δ	Δ%
Amf	Sept	\$5,000	\$4,950	-\$50	-1.00%
	Oct	\$5,075	\$5,075	-	-
	Nov	\$5,025	\$5,025	-	-
	Dec	\$5,000	\$5,000	-	-
	Jan	\$5,000	\$5,000	-	-
	Feb	\$5,000	\$5,000	-	-
SMP	Sept	\$2,505	\$2,545	\$40	1.60%
	Oct	\$2,485	\$2,555	\$70	1.60%
	Nov	\$2,480	\$2,555	\$75	2.82%
	Dec	\$2,490	\$2,555	\$65	3.02%
	Jan	\$2,500	\$2,550	\$50	2.61%
	Feb	\$2,505	\$2,560	\$55	2.00%
Butter	Sept	\$4,050	\$4,050	-	-
	Oct	\$4,025	\$4,000	-\$25	-0.62%
	Nov	\$4,000	\$4,000	-	-
	Dec	\$4,000	\$4,000	-	-
	Jan	\$4,050	\$4,050	-	-
	Feb	\$4,050	\$4,050	-	-
WMP	Sept	\$3,045	\$3,130	\$85	2.79%
	Oct	\$2,970	\$3,005	\$35	1.18%
	Nov	\$2,955	\$3,000	\$45	1.52%
	Dec	\$2,955	\$2,990	\$35	1.18%
	Jan	\$2,955	\$3,000	\$45	1.52%
	Feb	\$2,965	\$3,000	\$35	1.18%

At face value, Futures seem in line with the last average winning prices in Event 243.

Chinese farm gate milk prices are currently at NZ\$0.81/kg., which compares to a 40% lower Fonterra payout forecast of NZ\$ 0.49/kg.

This is likely to see a continued increase in buying from China.

Some further inputs to the market are:

- Overall, YTD July global milk production from the main exporting countries have contracted.
- China milk production is reported to increase by about 2.7% this year as a result of high farm gate prices.
- H1 2019 dairy imports in China have been strong with an incremental 500 million kgs LME imported. Of that however, 457 million kgs were already incrementally imported in January. February – July imports only rose by 0.78%.
- Since January this year, prices for oil have increased by 29.5%, 10% of which in the last days after the drone attack on Saudi oilfields of last weekend which shut 5% of the world’s oil capacity off for an unknown period.
- Disastrous USA exports YTD July 2019 have seen stocks rise by 490 million kgs. This has the potential to eventually bring down pricing and make the USA more competitive in the global markets. As we speak, USA cheese prices are at their highest point this year despite stocks amounting to 620,000mt.

For now, we would expect the GDT Price index to move between 0.50% and + 1.50% while a higher gain is certainly not off-limits.

In The Greenmark Dairy Report of coming Wednesday, we will report with an analysis of the outturn of event 244. As usual, along with Global export, import, price, production, consumption & stock data. As always, we will comment on any other matters that may have an impact on dairy price developments.

For further information or a subscription on The Greenmark Dairy Report, email us at r.schorsij@greenmarkdairy.com