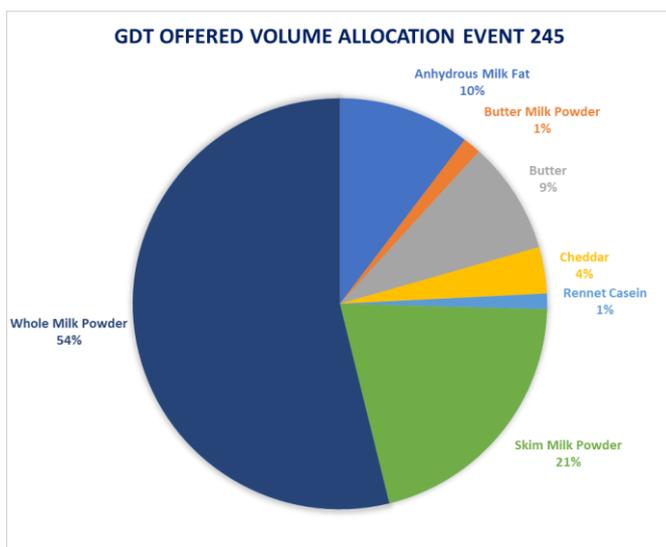


The Greenmark GDT heads-up, event 245

Event 245 is held against a more positive market sentiment that is, in a way, undetermined in its course. In the past three weeks, we have seen Cheddar on the CME cash settlement market climb from \$ 4,400/mt to \$ 4,933/mt on the 16th September- to fall back since to \$ 4,338/mt in last Friday's trading session. Back at home, Fonterra has published its annual results and announced its new strategy, which on face value seems to be more New Zealand-centric and more commodity-based. New Zealand is at this point at the peak of their milk season with September and October combined producing 25% of NZ's annual output. Weather forecasts point to normal conditions for the next months, so that lack of availability throughout the rest of the year should not be an issue.

On offer at Event 245:

| GDT event 245 | | | | | | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|
| Sales Group Maximum Supply (MT) | Contract 1 (Nov 19) | Contract 2 (Dec 19) | Contract 3 (Jan 19) | Contract 4 (Feb 20) | Contract 5 (March 20) | Contract 6 (April 20) |
| Anhydrous Milk Fat | 265 | 1,435 | 1,020 | 800 | 415 | 290 |
| Butter Milk Powder | 50 | 325 | 150 | 30 | 25 | - |
| Butter | 185 | 1,275 | 845 | 675 | 400 | 245 |
| Cheddar | 100 | 440 | 430 | 430 | 100 | - |
| Rennet Casein | 50 | 200 | 150 | 100 | - | - |
| Skim Milk Powder | 250 | 3,125 | 2,600 | 1,575 | 960 | - |
| Whole Milk Powder | 3,300 | 9,500 | 4,735 | 3,050 | 1,500 | - |



The total offered volume is 41,025 mt, 1,480 mt more than in the previous event, caused by addition of BMP and lifted volumes of WMP, AMF, Butter and Cheddar while Rennet casein and SMP offering are slightly smaller this event.

| Product | event 244 | event 245 | change | change % |
|--------------------|---------------|---------------|--------------|--------------|
| AMF | 4,190 | 4,225 | 35 | 0.84% |
| Butter Milk Powder | 0 | 580 | 580 | |
| Butter | 3,450 | 3,625 | 175 | 5.07% |
| Cheddar | 1,390 | 1,500 | 110 | 7.91% |
| Rennet casein | 575 | 500 | -75 | -13.04% |
| SMP | 8,700 | 8,510 | -190 | -2.18% |
| WMP | 21,240 | 22,085 | 845 | 3.98% |
| Total | 39,545 | 41,025 | 1,480 | 3.74% |

No adjustments were made to the 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 16/9 | settlements 30/9 | Δ | Δ% |
| Amf | Oct | \$5,075 | \$5,080 | \$5 | 0.10% |
| | Nov | \$5,025 | \$5,025 | - | - |
| | Dec | \$5,000 | \$5,000 | - | - |
| | Jan | \$5,000 | \$5,000 | - | - |
| | Feb | \$5,000 | \$5,000 | - | - |
| | March | \$5,000 | \$5,000 | - | - |
| SMP | Oct | \$2,555 | \$2,665 | \$110 | 4.31% |
| | Nov | \$2,555 | \$2,670 | \$115 | 4.31% |
| | Dec | \$2,555 | \$2,685 | \$130 | 4.50% |
| | Jan | \$2,550 | \$2,660 | \$110 | 5.09% |
| | Feb | \$2,560 | \$2,650 | \$90 | 4.31% |
| | March | \$2,575 | \$2,655 | \$80 | 3.52% |
| Butter | Oct | \$4,000 | \$4,100 | \$100 | 2.50% |
| | Nov | \$4,000 | \$4,125 | \$125 | 3.13% |
| | Dec | \$4,000 | \$4,050 | \$50 | 1.25% |
| | Jan | \$4,050 | \$4,050 | - | - |
| | Feb | \$4,050 | \$4,050 | - | - |
| | March | \$4,050 | \$4,050 | - | - |
| WMP | Oct | \$3,005 | \$3,100 | \$95 | 3.16% |
| | Nov | \$3,000 | \$3,105 | \$105 | 3.50% |
| | Dec | \$2,990 | \$3,085 | \$95 | 3.18% |
| | Jan | \$3,000 | \$3,075 | \$75 | 2.50% |
| | Feb | \$3,000 | \$3,080 | \$80 | 2.67% |
| | March | \$3,000 | \$3,080 | \$80 | 2.67% |

Most futures have increased significantly in the last two weeks, but despite of that - apart from SMP - futures remain priced below the AWP's in the previous GDT event.

While Chinese buying has been strong for WMP, the most recent data for WMP imports in August show a decline of 12.6%, the first significant year-on-year decline since September 2018.

Overall, Chinese Dairy imports for August were down by approximately 1% in terms of LME's. (LME = Liquid Milk Equivalent)

Some further inputs to the market are:

- Overall, YTD July/ August 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.
- Since the drone attack on the Saudi oil fields earlier this month, prices for oil moved up strongly. With the restoration of production capacity, prices have moved back to levels last seen in early September and are currently at \$55.31/barrel.

For now, we would expect the GDT Price index to move up between 0.10% and + 1.00% on the back of the current positive sentiment.

In The Greenmark Dairy Report of coming Wednesday, we will report with an analysis of the outturn of event 245. 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