



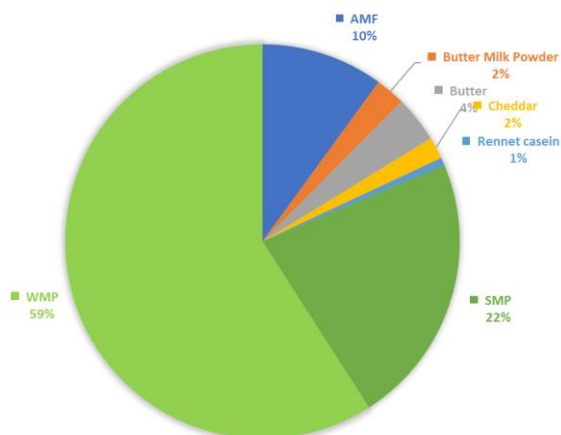
The Greenmark GDT heads-up, event 255

Event 255 is held against the background of the Coronavirus continuing to spread around the world that sees commodity prices and stocks move down sharply. Fonterra, in their last quarterly update, decreased its milk collection forecast by 1% to 1,515 million kgs Milk Solids citing 'challenging weather conditions across several parts of New Zealand. Season to date January 2020, however, sees the whole of New Zealand M.S. collections ahead 0.53%. For a reduction of 1% to happen, and assuming Fonterra is representative for the whole NZ dairy industry, NZ collections of Milk Solids would have to decrease consistently by 4.7% in the last 4 months of the 2019/2020 season.

On offer at Event 255:

GDT event 255						
Sales Group Maximum Supply (MT)	Contract 1 (April 20)	Contract 2 (May 20)	Contract 3 (June 20)	Contract 4 (July 20)	Contract 5 (Aug 20)	Contract 6 (Sept 20)
Anhydrous Milk Fat	250	925	700	350	300	0
Butter Milk Powder	50	275	125	80	80	0
Butter	75	385	200	150	150	0
Cheddar	80	150	100	100	20	0
Rennet Casein	40	60	40	20	0	0
Skim Milk Powder	100	2,845	1,235	1090	335	0
Whole Milk Powder	3,000	6,000	3,200	2,000	685	0

GDT OFFERED VOLUME ALLOCATION EVENT 255



The total offered volume is 25,195 mt, a decrease of 3,545 mt vs the previous event. The lower volume is in part mitigated by the offering of BMP this event (610mt). The biggest drop in volume is in WMP (-2,835mt)

Product	event 254	event 255	change	change %
AMF	2,850	2,525	-325	-11.40%
Butter Milk Powder	0	610	610	-
Butter	1,235	960	-275	-22.27%
Cheddar	450	450	0	-
Rennet casein	200	160	-40	-20.00%
SMP	5,675	5,605	-70	-1.23%
WMP	17,720	14,885	-2,835	-16.00%
Total	28,130	25,195	-2,935	-10.43%

Fonterra Co-operative Group has made no change to its Global Dairy Trade (GDT) Event forecast offer quantity for Whole Milk Powder and Skim Milk Powder for the next 12 months.

The offer quantity for Casein for the current event has been reduced by 40 metric tonnes while the 12 months forecast quantity for Casein has been reduced by a total of 160 metric tonnes between March and April.

This change is driven by increases in off GDT demand. The 12 months forecast offer quantity remains unchanged for all other products

Since the last GDT event of two weeks ago, futures' prices changed as follows.

NZX Futures changes since last GDT					
		settlements 17/02	settlements 02/03	Δ	Δ%
Amf	March	\$4,500	\$4,350	-\$150	-3.33%
	April	\$4,625	\$4,625	-	-
	May	\$4,675	\$4,675	-	-
	June	\$4,700	\$4,700	-	-
	July	\$4,725	\$4,725	-	-
	Aug	\$4,620	\$4,500	-\$120	-2.60%
	Average		\$4,641	\$4,596	-\$45
SMP	March	\$2,835	\$2,665	-\$170	-6.00%
	April	\$2,830	\$2,665	-\$170	-6.00%
	May	\$2,835	\$2,665	-\$165	-5.83%
	June	\$2,820	\$2,665	-\$170	-6.00%
	July	\$2,835	\$2,675	-\$155	-5.50%
	Aug	\$2,835	\$2,675	-\$160	-5.64%
	Average		\$2,832	\$2,668	-\$163
Butter	March	\$4,050	\$3,760	-\$290	-7.16%
	April	\$4,060	\$3,750	-\$310	-7.64%
	May	\$3,990	\$3,800	-\$190	-4.76%
	June	\$3,970	\$3,825	-\$145	-3.65%
	July	\$3,960	\$3,790	-\$170	-4.29%
	Aug	\$3,950	\$3,775	-\$175	-4.43%
	Average		\$3,997	\$3,783	-\$213
WMP	March	\$2,935	\$2,805	-\$130	-4.43%
	April	\$2,950	\$2,820	-\$130	-4.41%
	May	\$2,950	\$2,850	-\$100	-3.39%
	June	\$2,985	\$2,860	-\$125	-4.19%
	July	\$3,000	\$2,850	-\$150	-5.00%
	Aug	\$3,020	\$2,920	-\$100	-3.31%
	Average		\$2,973	\$2,851	-\$123

AMF futures saw a relatively modest decline of -0.97% while Butter gave in -5.34 in average.

SMP lost in average -5.77% and WMP -4.12%

In view of the size of incremental exports and lower milk production, stocks in New Zealand must be at one of its lowest levels in recent history. China imports slowing down however would mean either stock levels will start to go up again or product will need to be sold in other markets at discounted levels.

In a way, *expected* lower production in NZ because of the drought and low stock levels may be a blessing in disguise as it effectively serves to mitigate the likely (and temporary) drop in demand to some extent. The reality however is that in the current season milk production has gone down, but Milk Solids have gone up half a percent. Effectively, NZ has so far only produced less water.

Further inputs to the market:

- The Coronavirus continues to play a big role causing general insecurity and supply chain disruptions. In the last week, several (dairy) companies have announced profit warnings.
- The Chinese government body CCPIT has issued 1,615 'force majeure certificates' to shield companies from legal damages arising from the COVID-19 outbreak. The certificates cover 30 business sectors with a total contract value of 15.7 billion US dollars.
- The stock level in NZ is minimal with a ytd December production of -160 million kgs and exports incrementally up by 1.65 billion kgs combined, causing a stock disappearance of -1.83 billion kgs LME.
- Not just the NZX responded with lower values for (a.o.) powders. In the past two weeks, SMP futures on the CME lost **-12.10%** in value and on the EEX **-7.25%**. Cheddar Blocks on CME lost **-8.15%** on the CME in the same period.

Futures movements on the NZX would point towards a decrease in the GDT index of about **-7%**. With current fears raging across the markets there is little predictability in tomorrow's GDT event 255 outcome – even less so than usual. We can say with some certainty that the movement will be down but especially Chinese buying in the front months could be substantially lower than usual because of lower domestic activity and congestion at the ports. The latter could result in an even bigger drop in the GDT Price Index.

-7% is at the lower end of market expectations when compared to major stock exchanges but on the higher end of agricultural commodity futures like Cocoa, Wheat, and Corn.

In the **Greenmark Dairy Report** of the coming Wednesday, we will report with an analysis of the outturn of event 255. 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