

The Greenmark GDT heads-up, event 256

Event 256 is held against the background of the Coronavirus continuing to spread around the world that sees commodity prices, oil, and stock markets move down sharply. Despite drastic measures by governments, including financial stimuli, European stock markets opened 6-8% lower again today. Just in the past 30 days, German stock exchange DAX lost 38% in value while WTI oil lost 43% in value in the same period. In big parts of Europe public life has come to a grinding halt with schools closed and staff in companies asked to work at home where possible. Restaurants and bars are closed, Concerts, Sports events, etc., are all canceled – in the case of the Netherlands and Belgium until 6th April.

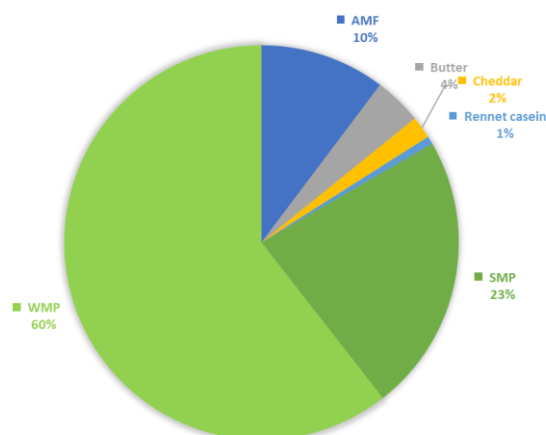
On offer at Event 256:

GDT event 256						
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	975	700	350	300	0
Butter Milk Powder						
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

The total offered volume is 25,195 mt, a decrease of 610 mt vs the previous event. The lower volume is caused by the absence of BMP.

Product	event 255	event 256	change	change %
AMF	2,525	2,525	0	0.00%
Butter Milk Powder	610		-610	-
Butter	960	960	0	0.00%
Cheddar	450	450	0	-
Rennet casein	160	160	0	0.00%
SMP	5,605	5,605	0	0.00%
WMP	14,885	14,885	0	0.00%
Total	25,195	24,585	-610	-2.42%

GDT OFFERED VOLUME ALLOCATION EVENT 256



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

The 12 months forecast quantity for Skim Milk Powder has been reduced by a total of 3,000 metric tonnes between April and June. This is a result of the ongoing impacts of dry weather conditions on milk production in the North Island of New Zealand.

The offer quantity for Anhydrous Milk Fat (AMF) for the current event has been increased by 50 metric tonnes while the 12 months forecast quantity for AMF has been increased by a total of 550 metric tonnes between April and May. This is due to favourable milk production conditions in the South Island of New Zealand and overall product mix optimisation.

The 12 months forecast quantity for Casein has been reduced by a total of 600 metric tonnes between May and June. 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 02/03	settlements 16/03	Δ	Δ%
Amf	March	\$4,350	\$4,130	-\$220	-5.06%
	April	\$4,625	\$4,200	-	-
	May	\$4,675	\$4,675	-	-
	June	\$4,700	\$4,700	-	-
	July	\$4,725	\$4,725	-	-
	Aug	\$4,500	\$4,125	-\$375	-8.33%
	Average		\$4,596	\$4,426	-\$170
SMP	March	\$2,665	\$2,680	\$15	0.56%
	April	\$2,665	\$2,600	\$15	0.56%
	May	\$2,665	\$2,570	-\$65	-2.44%
	June	\$2,665	\$2,535	-\$95	-3.56%
	July	\$2,675	\$2,450	-\$130	-4.88%
	Aug	\$2,675	\$2,470	-\$225	-8.41%
	Average		\$2,668	\$2,551	-\$118
Butter	March	\$3,760	\$3,975	\$215	5.72%
	April	\$3,750	\$3,780	\$30	0.80%
	May	\$3,800	\$3,800	-	-
	June	\$3,825	\$3,825	-	-
	July	\$3,790	\$3,790	-	-
	Aug	\$3,775	\$3,775	-	-
	Average		\$3,783	\$3,824	\$41
WMP	March	\$2,805	\$2,745	-\$60	-2.14%
	April	\$2,820	\$2,580	-\$240	-8.51%
	May	\$2,850	\$2,600	-\$250	-8.77%
	June	\$2,860	\$2,600	-\$260	-9.09%
	July	\$2,850	\$2,610	-\$240	-8.42%
	Aug	\$2,920	\$2,650	-\$270	-9.25%
	Average		\$2,851	\$2,631	-\$220

AMF futures saw a relatively strong average decline of -03.70% while C2-C5 remained unchanged. Butter moved up modestly by 1.08%.

SMP lost in average -4.40% while C1 and C2 moved up slightly and WMP lost -7.72%

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.

On the demand side we see an enormous disruption in Food service in particular, but not restricted to only that segment of the market.

Further inputs to the market:

- The Coronavirus continues to overshadow everything else and cause general insecurity and supply chain disruptions.
- The stock level in NZ is minimal with an 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 week, SMP futures on the CME lost **-5.4%** in value and on the EEX **-7.7%**.
- On a calculated basis of NZX futures vs settlement prices in the previous GDT event, movements on the NZX *point* towards a **very strong decrease** in the GDT index of about **-15%**. With current fears raging across the markets there is little predictability in tomorrow's GDT event 256 outcome – even less so than usual. We can say with some certainty that the movement will be down and hope that cooler heads prevail.

In the **Greenmark Dairy Report** of the coming Wednesday, we will report with an in-depth analysis of the outcome of event 256. 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