

The Greenmark GDT heads-up, event 257

Event 257 is held against the background of the Covid19 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 have remained >20% lower than month-ago levels. In most European countries, lockdown measures have been extended. In dairy, we hear of farmers in the USA and India that throw away milk as there's no off take through their usual outlets. In some parts of India, milk prices have collapsed by 25 to 50% while, according to Amul, Indian milk consumption was down 25% in the past month. Last Friday on CME, Cheese blocks fell by -35% vs week-ago levels, SMP by -12%, and Butter by -22%. Last Friday on EEX, SMP dropped by 6.5% and Butter by 11% vs week-ago levels. In terms of acute health risks, job security, and economic outlook, this is probably the grimmest situation most of the post-WWII generations have ever faced.

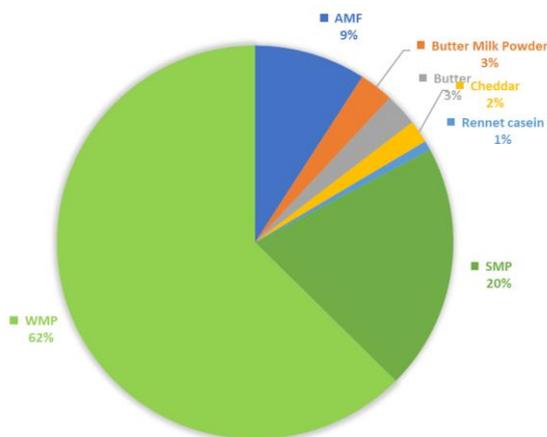
On offer at Event 257:

GDT event 257						
Sales Group Maximum Supply (MT)	Contract 1 (May 20)	Contract 2 (June 20)	Contract 3 (July 20)	Contract 4 (Aug 20)	Contract 5 (Sept 20)	Contract 6 (Oct 20)
Anhydrous Milk Fat	125	740	450	275	300	0
Butter Milk Powder	50	280	150	50	50	
Butter	0	200	100	85	85	85
Cheddar	80	150	100	0	60	0
Rennet Casein	40	60	40	20	0	0
Skim Milk Powder	250	2,155	1,075	375	350	0
Whole Milk Powder	2,500	5,500	3,000	1,100	900	0

The total offered volume is 20,780 mt, a decrease of 4,500 mt vs the previous event. The lower volume is partially mitigated by the offering of 580 mt of BMP.

Product	event 256	event 257	change	change %
AMF	2,525	1,890	-635	-25.15%
Butter Milk Powder		580	580	-
Butter	960	555	-405	-42.19%
Cheddar	450	390	-60	-13.33%
Rennet casein	160	160	-	-
SMP	5,605	4,205	-1,400	-24.98%
WMP	14,885	13,000	-1,885	-12.66%
Total	24,585	20,780	-3,805	-15.48%

GDT OFFERED VOLUME ALLOCATION EVENT 257



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 Anhydrous Milk Fat (AMF) for the current event has been increased by 90 metric tonnes while the 12 months forecast quantity for AMF has been increased by a total of 800 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 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 16/03	settlements 6/04	Δ	Δ%
Amf	April	\$4,200	\$3,950	-\$250	-5.95%
	May	\$4,675	\$3,950	-\$725	-15.51%
	June	\$4,700	\$4,500	-\$200	-4.26%
	July	\$4,725	\$4,500	-\$225	-4.76%
	Aug	\$4,125	\$4,420	\$295	7.15%
	Sept	\$4,125	\$4,420	\$295	7.15%
	Average		\$4,425	\$4,290	-\$135
SMP	April	\$2,600	\$2,390	-\$210	-8.08%
	May	\$2,570	\$2,360	-\$210	-8.08%
	June	\$2,535	\$2,320	-\$210	-8.17%
	July	\$2,450	\$2,340	-\$215	-8.48%
	Aug	\$2,470	\$2,350	-\$110	-4.49%
	Sept	\$2,545	\$2,350	-\$120	-4.86%
	Average		\$2,528	\$2,352	-\$177
Butter	April	\$3,780	\$3,825	\$45	1.19%
	May	\$3,800	\$3,690	\$45	1.19%
	June	\$3,825	\$3,540	-\$110	-2.89%
	July	\$3,790	\$3,640	-\$285	-7.45%
	Aug	\$3,775	\$3,550	-\$150	-3.96%
	Sept	\$3,750	\$3,490	-\$225	-5.96%
	Average		\$3,787	\$3,623	-\$164
WMP	April	\$2,580	\$2,620	\$40	1.55%
	May	\$2,600	\$2,685	\$85	3.27%
	June	\$2,600	\$2,675	\$75	2.88%
	July	\$2,610	\$2,670	\$60	2.30%
	Aug	\$2,650	\$2,670	\$20	0.75%
	Sept	\$2,640	\$2,670	\$30	1.14%
	Average		\$2,613	\$2,665	\$52

AMF futures saw a relatively strong average decline of -3.05% while C5-C6 moved up significantly. We would guess that this expresses the idea the Covid19 crisis will be over by then.

SMP lost in average -6.69% with the biggest drops in C1-C4.

WMP gained 1.98%

Butter went up in C1 and C2 but moved down in the other contracts. Ultimately causing an average loss of -4.34%

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 while in the current season milk production has gone down, Milk Solids output has gone up half a percent. Effectively, NZ has only produced less water this season so far.

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 causes general insecurity and supply chain disruptions along with massive layoffs in a.o. the USA. The Bureau of Labor Statistics announced that unemployment rose to 4.4% in March, up from a 50-year low of 3.5% in February.
- 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.
- On a calculated basis of NZX futures vs settlement prices in the previous GDT event, movements on the NZX *point* towards a decrease in the GDT index of about -5%. With current fears raging across the markets there is little predictability in tomorrow's GDT event 257 outcome – even less so than usual. However, we can say with some certainty that the movement will be down and if the loss remains restricted to 'just' 5% that would be some accomplishment given the much lower prices elsewhere in the world.

In the **Greenmark Dairy Report** of the coming Wednesday, we will report with an in-depth analysis of the outcome of event 257. 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

