

## The Greenmark GDT heads-up, event 265

The markets are quiet as usual during the Western Hemisphere summer months. While industries are trying to recover from the first wave of COVID19, the number of contaminations keeps increasing and countries move slowly toward stricter measures in a bid to contain the spreading of the virus. Since early May we have started to see some improvements in economic activity and now the markets are looking more closely at the effects on a macroeconomic level: the huge unemployment numbers and the forecasted contraction of the global economy.

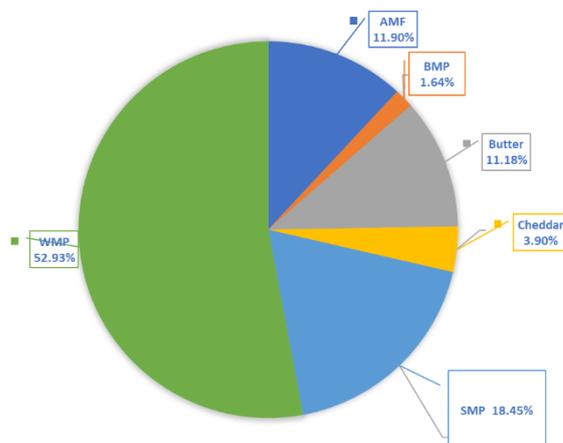
### On offer at Event 265:

GDT event 265						
Sales Group Maximum Supply (MT)	Contract 1 (July 20)	Contract 2 (Aug 20)	Contract 3 (Sept 20)	Contract 4 (Oct 20)	Contract 5 (Nov 20)	Contract 6 (Dec 20)
Anhydrous Milk Fat	300	1,390	1,020	975	525	0
Butter Milk Powder	50	180	150	100	100	0
Butter	465	1,280	855	800	455	100
Cheddar	70	380	360	370	100	100
Skim Milk Powder	250	2,125	1,450	1475	1225	0
Whole Milk Powder	1,000	6,850	5,000	4,000	1,875	0

The total offered volume is 35,376 mt, an increase of 10,375 mt or + 41.22% vs event 264. The increased volume is caused by increases in all commodities, plus the addition of BMP which was not offered in the previous event:

Product	event 264	event 265	change	change %
AMF	3140	4210	1,070	34.08%
Butter Milk Powder	0	580	580	-
Butter	2605	3955	1,350	51.82%
Cheddar	1230	1380	150	12.20%
SMP	5,540	6,525	985	17.78%
WMP	12,535	18,725	6,190	49.38%
<b>Total</b>	<b>25,050</b>	<b>35,375</b>	<b>10,325</b>	<b>41.22%</b>

GDT OFFERED VOLUME ALLOCATION EVENT 265



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

Fonterra also advises that from August 2020 it will no longer offer the 'three month at time of departure' guaranteed age service for WMP & SMP sold through Global Dairy Trade (GDT) Events.

This type of service will remain available through other sales channels.

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

NZX Futures changes since last GDT					
		settlements 20/07	settlements 03/08	Δ	Δ%
Amf	Aug	\$4,150	\$4,030	-\$120	-2.89%
	Sept	\$4,000	\$4,000	-	-
	Oct	\$4,050	\$4,050	-	-
	Nov	\$4,050	\$4,050	-	-
	Dec	\$4,050	\$4,050	-	-
	Jan	\$4,050	\$4,050	-	-
	<b>Average</b>		<b>\$4,058</b>	<b>\$4,038</b>	<b>-\$20</b>
SMP	Aug	\$2,690	\$2,610	-\$80	-2.97%
	Sept	\$2,700	\$2,560	-\$140	-5.19%
	Oct	\$2,640	\$2,570	-\$70	-2.65%
	Nov	\$2,650	\$2,570	-\$80	-3.02%
	Dec	\$2,630	\$2,570	-\$60	-2.28%
	Jan	\$2,625	\$2,550	-\$75	-2.86%
	<b>Average</b>		<b>\$2,656</b>	<b>\$2,572</b>	<b>-\$84</b>
Butter	Aug	\$3,690	\$3,650	-\$40	-1.08%
	Sept	\$3,690	\$3,625	-\$65	-1.76%
	Oct	\$3,625	\$3,530	-\$95	-2.62%
	Nov	\$3,625	\$3,600	-\$25	-0.69%
	Dec	\$3,650	\$3,620	-\$30	-0.82%
	Jan	\$3,760	\$3,700	-\$60	-1.60%
	<b>Average</b>		<b>\$3,673</b>	<b>\$3,621</b>	<b>-\$53</b>
WMP	Aug	\$3,245	\$3,150	-\$95	-2.93%
	Sept	\$3,200	\$3,030	-\$170	-5.31%
	Oct	\$3,160	\$2,950	-\$210	-6.65%
	Nov	\$3,100	\$2,950	-\$150	-4.84%
	Dec	\$3,040	\$2,945	-\$95	-3.13%
	Jan	\$3,040	\$2,930	-\$110	-3.62%
	<b>Average</b>		<b>\$3,131</b>	<b>\$2,993</b>	<b>-\$138</b>

All futures saw downward movement, except C2-C5 contracts for AMF that remained unchanged.

SMP lost in average 3.17%, much in line with earlier developments in the USA and the EU. In both the EU and the US, SMP prices have been eroding in the past weeks.

Butter decreased 1.43% and remains the lowest priced origin vs the EU and the US..

WMP lost 3.62% and the future contract is now priced 8% below the average winning price on the previous GDT event.

#### Further inputs to the market:

- The Coronavirus continues to overshadow the outlook on business and life and causes general insecurity and supply chain disruptions along with massive layoffs in a.o. the USA. In Europe, layoffs are strongly increasing and are forecasted to increase further in H2 2020.
- Regardless of all the negativity, prices have (but in several cases only partially) rebound globally but in the past few weeks, the markets have remained relatively quiet with subsequently eroding prices.
- 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 -3.80%, caused by a lower expectation across the board, except AMF.
- Overall, given the time of the year, ongoing COVID19 outfall concerns, and increased volume on offer, we would believe tomorrow's GDT index can easily decline by more than what NZX indicates with the potential to wipe out most of the record increase we have seen in Event 263.
- In the previous event, we have seen how market expectations and trade dynamics of participants on the NZX can differ wildly from the actual GDT outcome.
- Some markets remain extremely volatile. In the US on the CME, Cheddar blocks had reached a record price of \$ 6,243/ mt in H1 July. Last Friday it settled at \$ 4.966/mt. The volatility of Cheddar blocks on CME has been a stunning 95% during April- July.

In the **Greenmark Dairy Report** of coming Wednesday, we will report with an in-depth analysis of the outcome of event 265. As per 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.

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