

The Greenmark GDT heads-up, event 266

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 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 but 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.

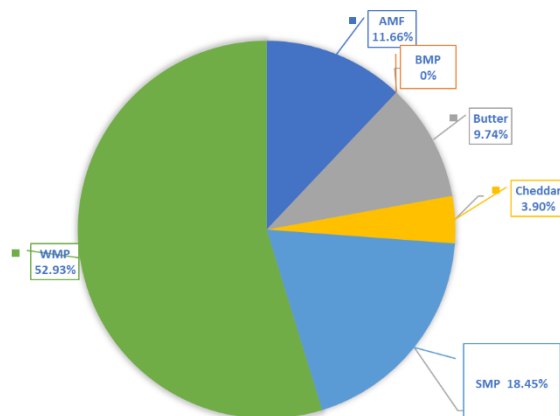
On offer at Event 266:

GDT event 266						
Sales Group Maximum Supply (MT)	Contract 1 (Sept 20)	Contract 2 (Oct 20)	Contract 3 (Nov 20)	Contract 4 (Dec 20)	Contract 5 (Jan 20)	Contract 6 (Feb 20)
Anhydrous Milk Fat	270	1,340	1,020	975	520	0
Butter Milk Powder	0	0	0	0	0	0
Butter	215	1,025	855	800	450	100
Cheddar	70	380	360	370	100	100
Skim Milk Powder	250	2,125	1,450	1475	1225	0
Whole Milk Powder	1,000	7,350	5,300	3,500	1,575	0

The total offered volume is 34,200 mt, a decrease of 1,75 mt or -3.32% vs event 265. The decreased volume is caused by decreases in AMF and Butter while BMP is not offered in the current event:

Product	event 265	event 266	change	change %
AMF	4210	4,125	-85	-2.02%
Butter Milk Powder	580	0	-580	0.00%
Butter	3955	3,445	-510	-12.90%
Cheddar	1380	1,380	0	0.00%
SMP	6,525	6,525	0	0.00%
WMP	18,725	18,725	0	0.00%
Total	35,375	34,200	-1,175	-3.32%

GDT OFFERED VOLUME ALLOCATION EVENT 266



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.

While the forecast offer quantity for Whole Milk Powder is unchanged the contract quantities for the next three events have changed with volumes for contracts two and three increasing while volumes for contracts four and five have decreased accordingly. This is in response to current market demand.

The 12 months forecast offer quantity remains unchanged for all other products.

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

NZX Futures changes since last GDT					
		settlements 03/08	settlements 17/08	Δ	Δ%
Amf	Aug	\$4,030	\$4,060	\$30	0.74%
	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	-	-
	Average	\$4,038	\$4,043	\$5	0.12%
SMP	Aug	\$2,610	\$2,620	\$10	0.38%
	Sept	\$2,560	\$2,610	\$50	1.95%
	Oct	\$2,570	\$2,600	\$30	1.17%
	Nov	\$2,570	\$2,630	\$60	2.33%
	Dec	\$2,570	\$2,630	\$60	2.33%
	Jan	\$2,550	\$2,630	\$80	3.14%
	Average	\$2,572	\$2,620	\$48	1.88%
Butter	Aug	\$3,650	\$3,500	-\$150	-4.11%
	Sept	\$3,625	\$3,475	-\$150	-4.14%
	Oct	\$3,530	\$3,470	-\$60	-1.70%
	Nov	\$3,600	\$3,480	-\$120	-3.33%
	Dec	\$3,620	\$3,490	-\$130	-3.59%
	Jan	\$3,700	\$3,540	-\$160	-4.32%
	Average	\$3,621	\$3,493	-\$128	-3.54%
WMP	Aug	\$3,150	\$3,000	-\$150	-4.76%
	Sept	\$3,030	\$2,950	-\$80	-2.64%
	Oct	\$2,950	\$2,920	-\$30	-1.02%
	Nov	\$2,950	\$2,950	\$0	0.00%
	Dec	\$2,945	\$2,925	-\$20	-0.68%
	Jan	\$2,930	\$2,950	\$20	0.68%
	Average	\$2,993	\$2,949	-\$43	-1.45%

Butter and WMP saw mostly downward movement while SMP was up and Butter unchanged, bar C1 that went up 0.74%.

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 -0.50%, caused by a lower expectation for Butter and WMP. Given Fonterra's pointers, however, we would not be surprised by an increase of >2.0%
- Overall, given the time of the year, ongoing COVID19 outfall concerns, and increased volume on offer, the predictability is difficult, especially as Fonterra recently increased its forecast farm gate price for milk, citing increased buying activity in China, as well as the increased offer in the front contracts of WMP for which also increased demand is offered as an explanation.
- 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. Two weeks ago, it settled at \$ 4.966/mt, while last Friday it settled at \$ 4.012/mt and had reached a level of \$ 3,483/mt earlier last week.

In the **Greenmark Dairy Report** of coming Wednesday, we will report with an in-depth analysis of the outcome of event 266. 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.

For further information or a subscription on The Greenmark Dairy Report email us at r.schorsij@greenmarkdairy.com