

The Greenmark GDT heads-up, event 267

The markets are slowly coming alive again after 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. What it all will mean to the market remains to be seen but so far, prices have retracted after their initial fall in early March but have over the summer remained about 10-14% below pre-COVID19 levels.

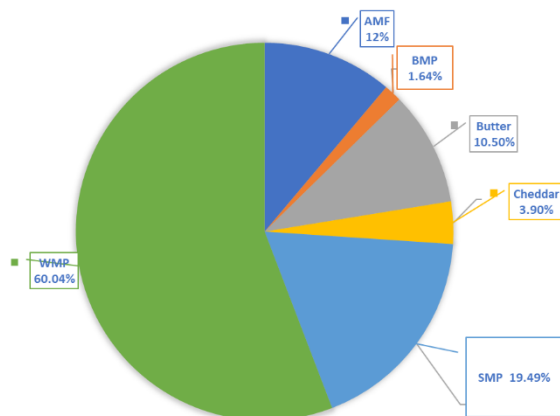
On offer at Event 267:

GDT event 267						
Sales Group Maximum Supply (MT)	Contract 1 (Oct 20)	Contract 2 (Nov 20)	Contract 3 (Dec 20)	Contract 4 (Jan 21)	Contract 5 (Feb 21)	Contract 6 (March 21)
Anhydrous Milk Fat	285	1,410	1,025	985	535	0
Butter Milk Powder	0	200	180	100	100	0
Butter	245	1,150	875	855	490	100
Cheddar	70	380	360	370	100	100
Skim Milk Powder	375	2,545	1,500	1275	1200	0
Whole Milk Powder	2,150	9,500	4,800	2,765	2,025	0

The total offered volume is 38,050 mt, an increase of 3,850 mt or +11.26% vs event 266. The increased volume is caused by all products plus the addition of BMP that was not offered in the previous event:

Product	event 266	event 267	change	change %
AMF	4,125	4,240	115	2.79%
Butter Milk Powder	0	580	580	0.00%
Butter	3,445	3,715	270	7.84%
Cheddar	1,380	1,380	0	0.00%
SMP	6,525	6,895	370	5.67%
WMP	18,725	21,240	2,515	13.43%
Total	34,200	38,050	3,850	11.26%

GDT OFFERED VOLUME ALLOCATION EVENT 267



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 offer quantity for Skim Milk Powder for the current event has been decreased by 325 metric tonnes while the 12 months forecast quantity for Skim Milk Powder has been decreased by a total of 10,000 metric tonnes across September to May 2021 events. This is due to strong demand via other sales channels.

The offer quantity for Cheddar Cheese for the current event has been decreased by 110 metric tonnes while the 12 months forecast quantity for Cheddar Cheese remains unchanged but offer volumes have been moved between September and March to better meet 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 have changed as follows:

NZX Futures changes since last GDT					
		settlements 17/08	settlements 31/08	Δ	Δ%
Amf	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	-	-
	Feb	\$4,100	\$4,100	-	-
	Average		\$4,050	\$4,050	\$0
SMP	Sept	\$2,610	\$2,635	\$25	0.96%
	Oct	\$2,600	\$2,630	\$30	1.15%
	Nov	\$2,630	\$2,635	\$5	0.19%
	Dec	\$2,630	\$2,645	\$15	0.57%
	Jan	\$2,630	\$2,675	\$45	1.71%
	Feb	\$2,640	\$2,685	\$45	1.70%
	Average		\$2,623	\$2,651	\$28
Butter	Sept	\$3,475	\$3,475	-	-
	Oct	\$3,470	\$3,470	-	-
	Nov	\$3,480	\$3,480	-	-
	Dec	\$3,490	\$3,490	-	-
	Jan	\$3,540	\$3,540	-	-
	Feb	\$3,560	\$3,560	-	-
	Average		\$3,503	\$3,503	\$0
WMP	Sept	\$2,950	\$2,960	\$10	0.34%
	Oct	\$2,920	\$2,940	\$20	0.68%
	Nov	\$2,950	\$2,920	-\$30	-1.02%
	Dec	\$2,925	\$2,900	-\$25	-0.85%
	Jan	\$2,950	\$2,910	-\$40	-1.36%
	Feb	\$2,940	\$2,940	-	-
	Average		\$2,939	\$2,928	-\$11

Butter and AMF remained unchanged while SMP was up in average by 1.05% and WMP moved down in average by -0.37%

Further inputs to the market:

- In the past weeks, the ONIL (Algeria) tender has been concluded. Reportedly 14,500 mt of WMP was contracted against a price of \$3,070/3m,100 CNF, and SMP against \$ 2,650/mt CNF. The material is said to originate from South America and partially from the EU.
- Regardless of all the negativity, prices have (but in several cases only partially) rebound globally but in the past two months, they have remained relatively stable and linger around the -10% to -14% below pre-COVID-19 levels.
- 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.
- Overall, given the time of the year, ongoing COVID19 outfall concerns, and strongly increased volume on offer, the predictability is difficult, especially as, two weeks ago, 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. The reality however is that market prices have not responded accordingly even though, July imports were strongly up in China.
- Overall, the result of today's GDT event could end up significantly below calculated NZX indications in a range of 0% to -1.5%

In the **Greenmark Dairy Report** of coming Wednesday, we will report with an in-depth analysis of the outcome of event 267. 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

