

The Greenmark GDT heads-up, event 269

The markets remain relatively quiet in Europe but elsewhere we see more action with strong movements in prices. In the US, the Cheddar barrels rally continues and saw an increase of 20% in the past week. Blocks increased by 2% and current pricing on an FOB basis now at just below \$5,900/mt: **60.6% higher** than the Fonterra price on the previous GDT event. In the EU we see steady to slightly firmer prices for SMP, Cheese, and Butter. Yet, market operators still do not quite know what to make of it in the light of COVID19, the unemployment it causes, and the contraction of the global economy. In NZ, Dairy exports YTD August are 3.55% behind vs 2019 or -467 million kgs, while Milk production is up 69 million kgs, and in the first three months of the new season Milk output went up by 4.75% or 90 million kgs. Although it is early in the season, we are into peak Milk now and some pressure will be building to sell.

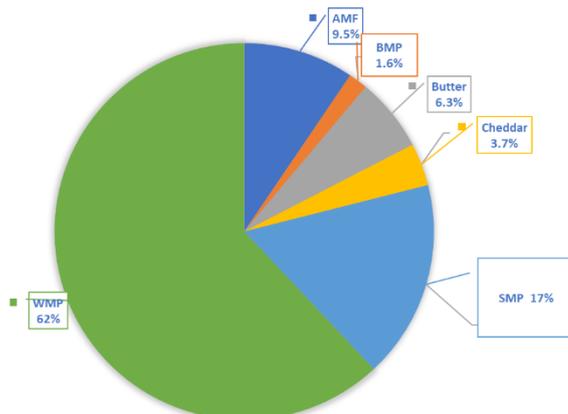
On offer at Event 269:

GDT event 269						
Sales Group Maximum Supply (MT)	Contract 1 (Nov 20)	Contract 2 (Dec 20)	Contract 3 (Jan 20)	Contract 4 (Feb 21)	Contract 5 (March 21)	Contract 6 (April 21)
Anhydrous Milk Fat	250	1,050	825	775	465	0
Butter Milk Powder	50	205	175	75	75	0
Butter	175	700	575	450	350	
Cheddar	100	300	350	350	100	100
Skim Milk Powder	375	2,150	1,625	1090	820	0
Whole Milk Powder	3,300	9,500	4,735	3,050	1,500	0

The total offered volume is 35.640 mt, a decrease of 920 mt or -2.52% vs event 268. The decreased volume is mainly caused by Butter and AMF. SMP offered volume went down too, by 1.70% but WMP went up by 3.98% and Cheddar by 8.33%

Product	event 268	event 269	change	change %
AMF	4,240	3,365	-875	-20.64%
Butter Milk Powder	-	580		
Butter	3,715	2,250	-1,465	-39.43%
Cheddar	1,200	1,300	100	8.33%
SMP	6,165	6,060	-105	-1.70%
WMP	21,240	22,085	845	3.98%
Total	36,560	35,640	-920	-2.52%

GDT OFFERED VOLUME ALLOCATION EVENT 269



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 Butter for the current event has been decreased by 375 metric tonnes while the 12 months forecast quantity for Butter has been decreased by a total of 2,000 metric tonnes across October to May 2021 events.

The offer quantity for Anhydrous Milk Fat for the current event has been decreased by 350 metric tonnes while the 12 months forecast quantity for Anhydrous Milk Fat has been decreased by a total of 2,500 metric tonnes across October to January 2021 events.

This is due to strong demand via other sales channels.

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 15/09	settlements 5/10	Δ	Δ%
Amf	Oct	\$4,050	\$4,000	-\$50	-1.23%
	Nov	\$4,050	\$4,020	-\$30	-0.74%
	Dec	\$4,050	\$4,040	-\$10	-0.25%
	Jan	\$4,050	\$4,050	-	-
	Feb	\$4,100	\$4,060	-\$40	-0.98%
	March	\$4,100	\$4,070	-\$30	-0.73%
Average		\$4,067	\$4,040	-\$27	-0.66%
SMP	Oct	\$2,660	\$2,830	\$170	6.39%
	Nov	\$2,665	\$2,820	\$155	5.82%
	Dec	\$2,660	\$2,825	\$165	6.20%
	Jan	\$2,685	\$2,840	\$155	5.77%
	Feb	\$2,715	\$2,840	\$125	4.60%
	March	\$2,730	\$2,840	\$110	4.03%
Average		\$2,686	\$2,833	\$147	5.46%
Butter	Oct	\$3,430	\$3,430	-	-
	Nov	\$3,440	\$3,440	-	-
	Dec	\$3,460	\$3,480	\$20	0.58%
	Jan	\$3,540	\$3,585	\$45	1.27%
	Feb	\$3,560	\$3,610	\$50	1.40%
	March	\$3,575	\$3,635	\$60	1.68%
Average		\$3,501	\$3,530	\$29	0.83%
WMP	Oct	\$2,875	\$3,015	\$140	4.87%
	Nov	\$2,875	\$3,010	\$135	4.70%
	Dec	\$2,885	\$3,030	\$145	5.03%
	Jan	\$2,890	\$3,010	\$120	4.15%
	Feb	\$2,900	\$3,020	\$120	4.14%
	March	\$2,920	\$3,020	\$100	3.42%
Average		\$2,891	\$3,018	\$127	4.38%

AMF saw an erosion of prices of -0.66% in average but C4 remained unchanged.

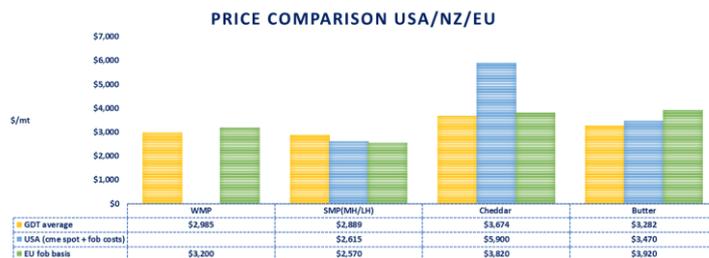
SMP went up strongly, in average by 5.46% with the biggest increases in C1-C4

Butter went up in average by 0.83% but remained unchanged for C1 and C2.

WMP went up strongly, in average by 4.38% with the biggest gains in C1-C5.

Further inputs to the market:

- Regardless of all the negativity, prices have (but in several cases only partially) rebound globally.
- On a calculated basis of NZX futures vs settlement prices in the previous GDT event, movements on the NZX *point* towards an increase in the GDT index of about +1.25%, caused by a higher price expectation (vs Event 268) for SMP, WMP, and Butter.
- For Key commodities like WMP, SMP, Cheese, and Butter we have seen a diminished import appetite from China in August with monthly volumes percentage wise double-digit below August 2019.
- Overall, the prices of the previous GDT event are below today's prices from main competitors for WMP, Cheddar, and Butter which could offer some further upside.



In the **Green mark Dairy Report** of coming Wednesday, we will report with an in-depth analysis of the outcome of event 269. 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