



The Greenmark GDT heads-up, event 270

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 \$6,120/mt: **65.7% 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 continue to have difficulties assessing the market with the numerous uncertainties in the light of COVID19, the unemployment it causes, and the contraction of the global economy. Adding to this are the American elections in a few weeks and the nearing of Brexit with no trade deal tabled yet.

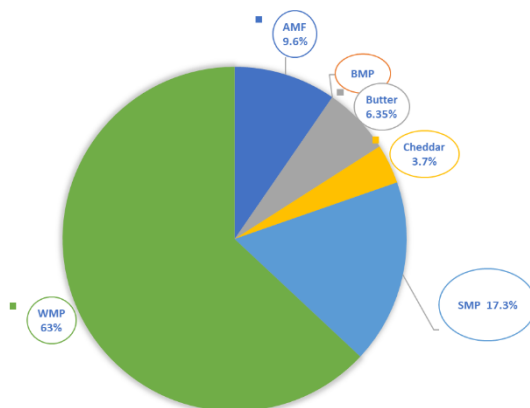
On offer at Event 270:

GDT event 270						
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	0	0	0	0	0	0
Butter	175	700	550	450	350	
Cheddar	100	300	350	350	100	100
Skim Milk Powder	375	2,150	1,625	1,090	820	0
Whole Milk Powder	3,300	9,500	4,735	3,050	1,500	0

The total offered volume is 35,035 mt, a decrease of 605mt or -1.70% vs event 269. The decreased volume is caused by the absence of BMP and a 25mt lower volume of Butter.

Product	event 269	event 270	change	change %
AMF	3,365	3,365	-	-
Butter Milk Powder	580	0	-	-
Butter	2,250	2,225	-25	-1.11%
Cheddar	1,300	1,300	-	-
SMP	6,060	6,060	-	-
WMP	22,085	22,085	-	-
Total	35,640	35,035	-605	-1.70%

GDT OFFERED VOLUME ALLOCATION EVENT 270



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 contract offer quantities for Whole Milk Powder in December and January have been changed with 1,300 metric tonnes in December moved from contracts 4 and 5 to contracts 2 and 3. While in January 1,100 metric tonnes has been moved from contracts 4 and 5 to contracts 2 and 3. This is to better meet 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 5/10	settlements 19/10	Δ	Δ%
Amf	C1 Nov	\$4,020	\$4,150	\$130	3.23%
	C2 Dec	\$4,040	\$4,160	\$120	2.97%
	C3 Jan	\$4,050	\$4,240	\$190	4.69%
	C4 Feb	\$4,060	\$4,250	\$190	4.68%
	C5 March	\$4,070	\$4,260	\$190	4.67%
	C6 April	\$4,075	\$4,270	\$195	4.79%
	Average		\$4,053	\$4,222	\$169
SMP	C1 Nov	\$2,820	\$2,815	-\$5	-0.18%
	C2 Dec	\$2,825	\$2,825	\$0	0.00%
	C3 Jan	\$2,840	\$2,855	\$15	0.53%
	C4 Feb	\$2,840	\$2,850	\$10	0.35%
	C5 March	\$2,840	\$2,850	\$10	0.35%
	C6 April	\$2,840	\$2,850	\$10	0.35%
	Average		\$2,834	\$2,841	\$7
Butter	C1 Nov	\$3,440	\$3,560	\$120	3.49%
	C2 Dec	\$3,480	\$3,570	\$90	2.59%
	C3 Jan	\$3,585	\$3,690	\$105	2.93%
	C4 Feb	\$3,610	\$3,690	\$80	2.22%
	C5 March	\$3,635	\$3,690	\$55	1.51%
	C6 April	\$3,655	\$3,655	\$0	0.00%
	Average		\$3,568	\$3,643	\$75
WMP	C1 Nov	\$3,010	\$3,145	\$135	4.49%
	C2 Dec	\$3,030	\$3,140	\$110	3.63%
	C3 Jan	\$3,010	\$3,135	\$125	4.15%
	C4 Feb	\$3,020	\$3,135	\$115	3.81%
	C5 March	\$3,020	\$3,135	\$115	3.81%
	C6 April	\$3,010	\$3,130	\$120	3.99%
	Average		\$3,017	\$3,137	\$120

AMF saw an increase of prices of 4.17% in average, with bigger increases for 2021 contracts.

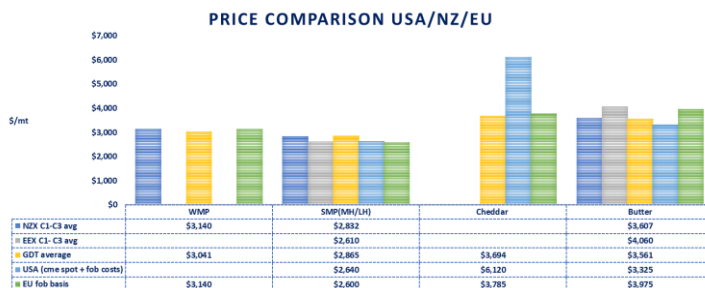
SMP went up slightly, in average by 0.24% with C1 seeing an erosion of -0.18% and C2 unchanged.

Butter went up in average by 2.10% but remained unchanged for C6.

WMP went up strongly, in average by 3.98%.

Further inputs to the market:

- 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 +2.25%, caused by a higher price expectation (vs Event 269) for WMP, and to a lesser degree Butter and AMF.
- Current NZX pricing for WMP is exactly on par with the EU which would imply a cap on upward potential for WMP tomorrow.
- 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.
- In comparison to other regions, NZ is still the most affordable for Cheddar but not for any of the other commodities:



- Based on the above we would expect a higher average winning price in tomorrow's event but closer to 1.5%

In the **Greenmark 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 to The Greenmark Dairy Report email us at r.schorsij@greenmarkdairy.com