



The Greenmark GDT heads-up, event 277

The markets have turned more active while stricter and/or total lockdown measures and curfews take place in several countries, directly affecting the Foodservice industry. 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. Despite all measures taken so far, the contamination numbers keep increasing and, in some countries, lockdown periods are extended.

Several market participants point to negativity in the last quarter of 2020 that may have been responsible for short positions in the market that have been turned around to long positions. Plus, there has been ongoing news that the contraction in economies will be less severe than previously thought, which is also underpinned by a significant part of lost foodservice sales having been made up for by retail sales and government food programs.

In New Zealand, milk production has recovered. November saw a drop in production vs 2019 over dry weather circumstances but in December milk production was 1% higher than in 2019 (in terms of milk solids). Both Season to Date and Year to date are modestly up but practically on par with the previous season and year.

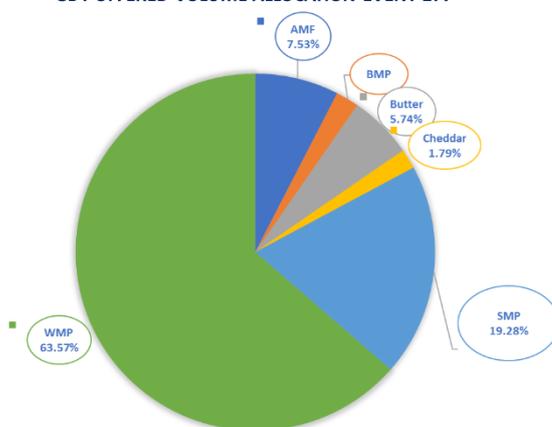
On offer at Event 277:

GDT event 277						
Sales Group Maximum Supply (MT)	Contract 1 (March 20)	Contract 2 (April 21)	Contract 3 (May 21)	Contract 4 (June 21)	Contract 5 (July 21)	Contract 6 (Aug 21)
Anhydrous Milk Fat	250	675	625	375	175	-
Butter Milk Powder	50	205	175	75	75	-
Butter	200	600	425	250	125	-
Cheddar	60	140	140	140	20	-
Skim Milk Powder	375	2,350	1,375	725	550	-
Whole Milk Powder	2,500	7,545	4,475	2,000	1,200	-

The total offered volume is 27,875 mt, a decrease of 2,407mt or -7.95% vs event 276. The decreased volume is caused by the absence of BMP in event 276. In addition to that AMF was reduced by 250mt, Butter by 467mt, SMP by 190 mt, and WMP by 2,080mt. This would reflect the normal seasonal pattern.

Product	event 276	event 277	change	change %
AMF	2,350	2,100	-250	-10.64%
Butter Milk Powder	0	580	580	-
Butter	2,067	1,600	-467	-22.59%
Cheddar	500	500	-	-
SMP	5,565	5,375	-190	-3.41%
WMP	19,800	17,720	-2,080	-10.51%
Total	30,282	27,875	-2,407	-7.95%

GDT OFFERED VOLUME ALLOCATION EVENT 277



Fonterra Co-operative Group has made no change to its Global Dairy Trade (GDT) Event forecast total offer quantity for Whole Milk Powder and Skim Milk Powder for the next 12 months.

The contract offer quantities for Whole Milk Powder in July 2021 have been changed with 2,500 metric tonnes moved from contracts 4 and 5 to contracts 2 and 3. This is to better meet market demand.

The total offer quantity for Anhydrous Milk Fat (AMF) over the next 12 months has been reduced by 1,000MT with a reduction of 500MT in the current event and a further 500MT reduction in the second event of February. This is the result of better sales options 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 19/1	settlements 1/2	Δ	Δ%
Amf	C1 Feb	\$4,820	\$5,700	\$880	18.26%
	C2 March	\$4,825	\$5,740	\$915	18.96%
	C3 April	\$4,825	\$5,375	\$550	11.40%
	C4 May	\$4,830	\$5,375	\$545	11.28%
	C5 June	\$4,840	\$5,250	\$410	8.47%
	C6 July	\$4,850	\$5,225	\$375	7.73%
	Average		\$4,810	\$5,444	\$634
SMP	C1 Feb	\$3,100	\$3,200	\$100	3.23%
	C2 March	\$3,100	\$3,140	\$40	1.29%
	C3 April	\$3,105	\$3,140	\$35	1.13%
	C4 May	\$3,100	\$3,100	-	-
	C5 June	\$3,095	\$3,085	-\$10	-0.32%
	C6 July	\$3,085	\$3,050	-\$35	-1.13%
	Average		\$3,093	\$3,119	\$27
Butter	C1 Feb	\$4,660	\$4,660	-	-
	C2 March	\$4,660	\$4,650	-\$10	-0.21%
	C3 April	\$4,640	\$4,800	\$160	3.45%
	C4 May	\$4,620	\$4,600	-\$20	-0.43%
	C5 June	\$4,560	\$4,600	\$40	0.88%
	C6 July	\$4,340	\$4,500	\$160	3.69%
	Average		\$4,607	\$4,635	\$28
WMP	C1 Feb	\$3,420	\$3,380	-\$40	-1.17%
	C2 March	\$3,430	\$3,365	-\$65	-1.90%
	C3 April	\$3,445	\$3,390	-\$55	-1.60%
	C4 May	\$3,440	\$3,385	-\$55	-1.60%
	C5 June	\$3,425	\$3,385	-\$40	-1.17%
	C6 July	\$3,425	\$3,375	-\$50	-1.46%
	Average		\$3,415	\$3,380	-\$34

Overall, we have seen increases on NZX in the past two weeks, except for WMP:

AMF saw strong increases in all contracts, with the biggest increases in the front contracts.



SMP saw upward movement in the front contracts but lost in the deferred contracts.



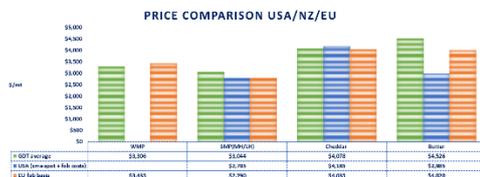
Butter moved up but remained unchanged in C1.



WMP moved down in average by 1.02%.



- 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 -0.80%, caused in the main by a lower price expectation for WMP. AMF is (according to NZX) to increase about 2%.
- Even when the NZX prognosis materializes, this would keep Fonterra to be the most expensive origin amongst their main competitors, except for WMP. This and the concerns about the sustainability of higher prices may see the GDT price index decrease by more than -0.80%.
- December exports from NZ fell by just over 9% in terms of Liquid Milk Equivalents. Overall, NZ exports to China in 2020 have been 2% less than in 2019 (in LME)
- In comparison to the EU and the USA, up to now, NZ is the most affordable origin for WMP but in SMP, Cheddar, and Butter, the US is more competitive vs NZ and the EU:



- In the Greenmark Dairy Report of this coming Wednesday, we will report with an in-depth analysis of the outcome of event 276. 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