

The Greenmark GDT heads-up, event 278

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.

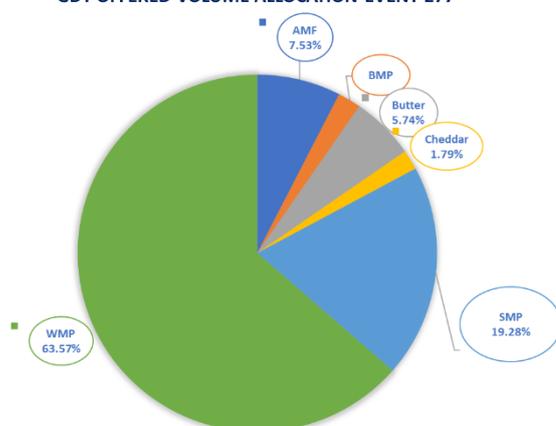
Several market participants point to negativity in the last quarter of 2020 that may have been responsible for short positions in the market that have been switched to long positions. Plus, there has been ongoing news that the contraction in economies will be less severe than previously thought, which 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 278:

GDT event 278						
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	0	0	0	0	0	-
Butter	200	600	425	250	125	-
Cheddar	60	110	110	110	-	-
Skim Milk Powder	375	2,350	1,375	725	550	-
Whole Milk Powder	2,500	7,545	4,475	2,000	1,200	-

GDT OFFERED VOLUME ALLOCATION EVENT 277



The total offered volume is 27,185 mt, a decrease of -690mt or -2.48% vs event 277. The decreased volume is caused by the absence of BMP in event 278 and a small reduction in the Cheddar volume.

Product	event 277	event 278	change	change %
AMF	2,100	2,100	-	-
Butter Milk Powder	580	0	-580	-
Butter	1,600	1,600	-	-
Cheddar	500	390	-110	-22.00%
SMP	5,375	5,375	-	-
WMP	17,720	17,720	-	-
Total	27,875	27,185	-690	-2.48%

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 August and September 2021 have been changed with 2,500 metric tonnes moved from contracts 4 and 5 to contracts 2 and 3 in August and similarly 3,000 metric tonnes moved in September. This is to better meet market demand.

The offer quantity for Cheddar Cheese in the current event has been reduced by 110 metric tonnes while the 12 months offer quantity has been reduced by 570 metric tonnes between March 2021 and February 2022. 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 1/2	settlements 15/2	Δ	Δ%
Amf	C1 Feb	\$5,700	\$5,600	-\$100	-1.75%
	C2 March	\$5,740	\$5,740	\$0	0.00%
	C3 April	\$5,375	\$5,375	\$0	0.00%
	C4 May	\$5,375	\$5,375	\$0	0.00%
	C5 June	\$5,250	\$5,350	\$100	1.90%
	C6 July	\$5,225	\$5,325	\$100	1.91%
	Average		\$5,444	\$5,461	\$17
SMP	C1 Feb	\$3,200	\$3,205	\$5	0.16%
	C2 March	\$3,140	\$3,110	-\$30	-0.96%
	C3 April	\$3,140	\$3,100	-\$40	-1.27%
	C4 May	\$3,100	\$3,100	-	-
	C5 June	\$3,085	\$3,065	-\$20	-0.65%
	C6 July	\$3,050	\$3,030	-\$20	-0.66%
	Average		\$3,119	\$3,102	-\$18
Butter	C1 Feb	\$4,660	\$4,900	\$240	5.15%
	C2 March	\$4,650	\$4,830	\$180	3.87%
	C3 April	\$4,800	\$4,800	\$0	0.00%
	C4 May	\$4,600	\$4,725	\$125	2.72%
	C5 June	\$4,600	\$4,800	\$200	4.35%
	C6 July	\$4,500	\$4,750	\$250	5.56%
	Average		\$4,635	\$4,801	\$166
WMP	C1 Feb	\$3,380	\$3,450	\$70	2.07%
	C2 March	\$3,365	\$3,545	\$180	5.35%
	C3 April	\$3,390	\$3,550	\$160	4.72%
	C4 May	\$3,385	\$3,550	\$165	4.87%
	C5 June	\$3,385	\$3,550	\$165	4.87%
	C6 July	\$3,375	\$3,505	\$130	3.85%
	Average		\$3,380	\$3,525	\$146

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

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



SMP saw small upward movement in the front contract but lost in the other contracts while C4 remained unchanged.



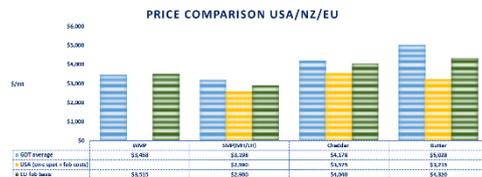
Butter moved up strongly but remained unchanged in C3.



WMP moved up, on average by 4.29%.



- 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%, caused in the main by a higher price expectation for WMP. When the NZX indicators materialize, this would keep Fonterra as the most expensive origin amongst their main competitors, except for WMP.
- In both the EU and the US, we see weakness in SMP that so far has not fully manifested in NZX prices. Although we have seen more often that NZ can sustain much higher prices than its main competitors, this may seep through in the buying behaviour tomorrow, and cause a lower increase or even a decrease in the GDT index.
- Milk production globally is strong with no slowing down in sight for the next months. In Q4, the three biggest exporters have exported significantly less than in 2019, causing higher stock levels.
- In comparison to the EU and the USA, up to now, NZ is the most affordable origin for WMP but in all other commodities 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 278. 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