

The Greenmark GDT heads-up, event 298

The markets for the commodities offered on GDT continue to see upward momentum, fueled by a global contraction of milk production by the main exporters, while demand remains firm.

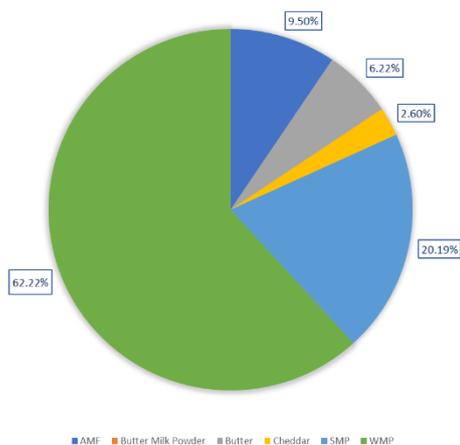
When we look at the CME spot market, last Friday the weekly average price for SMP saw an increase of 4.5% since the last GDT event, while Butter increased by 1.2% in the same period. Cheddar blocks moved up by 4% during the same time but remains priced - \$ 840/mt lower than the last AWP on GDT 297 or -19.2%. Since the last GDT event, the European Price index for Butter moved up by 4.3% and the SMP index by 4.6%.

Focusing on New Zealand, the Fonterra offerings in tomorrow's event 295 show that the NZX C1 future vs AWP's in the previous event are as follows: AMF +1.98%, Butter 2.02%, WMP 5.99%, and SMP + 1.33%.

On offer at Event 298:

| GDT event 298 | | | | | | |
|---------------------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|
| Sales Group Maximum Supply (MT) | Contract 1 (Jan 20) | Contract 2 (Feb 21) | Contract 3 (March 21) | Contract 4 (April 21) | Contract 5 (May 21) | Contract 6 (June 21) |
| Anhydrous Milk Fat | 250 | 870 | 625 | 575 | 350 | 230 |
| Butter Milk Powder | - | - | - | - | - | - |
| Butter | 175 | 750 | 450 | 300 | 225 | - |
| Cheddar | 70 | 200 | 200 | 200 | 100 | 25 |
| Skim Milk Powder | 500 | 2,655 | 1,500 | 825 | 685 | - |
| Whole Milk Powder | 2,875 | 8,480 | 5,922 | 1,175 | 550 | - |

GDT OFFERED VOLUME ALLOCATION EVENT 298



The total offered volume by Fonterra is 30,762 mt, a decrease of 580 mt or -1.85%. This is caused by the offer of BMP that is absent in event 298.

| Product | event 297 | event 298 | change | change % |
|--------------------|---------------|---------------|-------------|---------------|
| | mt | mt | | |
| AMF | 2900 | 2900 | 0 | - |
| Butter Milk Powder | 580 | 0 | 0 | - |
| Butter | 1900 | 1900 | 0 | - |
| Cheddar | 795 | 795 | 0 | - |
| SMP | 6,165 | 6,165 | 0 | - |
| WMP | 19,002 | 19,002 | 0 | - |
| Total | 31,342 | 30,762 | -580 | -1.85% |

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 12 months forecast offer quantity for all other products, also remains unchanged.

Since the GDT event of two weeks ago, futures prices have changed as follows:

| NZX Futures changes since last GDT | | | | | | |
|------------------------------------|----------|-------------------|-------------------|--------|--------|---------------|
| product | Contract | settlements 06/12 | settlements 17/12 | Δ | Δ% | AWP event 297 |
| Amf | C1 Dec | \$6,550 | \$6,750 | \$200 | 3.05% | |
| | C2 Jan | \$6,625 | \$6,900 | \$275 | 4.15% | |
| | C3 Feb | \$6,600 | \$6,875 | \$275 | 4.17% | |
| | C4 March | \$6,575 | \$6,875 | \$300 | 4.56% | |
| | C5 April | \$6,650 | \$6,850 | \$200 | 3.01% | |
| | C6 May | \$6,600 | \$6,825 | \$225 | 3.41% | |
| Average | | \$6,600 | \$6,846 | \$246 | 3.72% | \$6,668 |
| SMP | C1 Dec | \$3,760 | \$3,735 | -\$25 | -0.66% | |
| | C2 Jan | \$3,825 | \$3,875 | \$50 | 1.31% | |
| | C3 Feb | \$3,845 | \$3,880 | \$35 | 0.91% | |
| | C4 April | \$3,855 | \$3,880 | \$25 | 0.65% | |
| | C5 April | \$3,800 | \$3,880 | \$80 | 2.11% | |
| | C6 May | \$3,810 | \$3,860 | \$50 | 1.31% | |
| Average | | \$3,816 | \$3,852 | \$36 | 0.94% | \$3,721 |
| Butter | C1 Dec | \$5,625 | \$5,825 | \$200 | 3.56% | |
| | C2 Jan | \$5,675 | \$5,850 | \$175 | 3.08% | |
| | C3 Feb | \$5,650 | \$5,850 | \$200 | 3.54% | |
| | C4 April | \$5,675 | \$5,800 | \$125 | 2.20% | |
| | C5 April | \$5,650 | \$5,775 | \$125 | 2.21% | |
| | C6 May | \$5,600 | \$5,750 | \$150 | 2.68% | |
| Average | | \$5,646 | \$5,808 | \$163 | 2.88% | \$5,791 |
| WMP | C1 Dec | \$4,120 | \$4,000 | -\$120 | -2.91% | |
| | C2 Jan | \$4,230 | \$4,105 | -\$125 | -2.96% | |
| | C3 Feb | \$4,245 | \$4,210 | -\$35 | -0.82% | |
| | C4 April | \$4,250 | \$4,230 | -\$20 | -0.47% | |
| | C5 April | \$4,260 | \$4,230 | -\$30 | -0.70% | |
| | C6 May | \$4,250 | \$4,230 | -\$20 | -0.47% | |
| Average | | \$4,226 | \$4,168 | -\$58 | -1.38% | \$4,008 |

Overall, we continue to see upside, except for Fonterra's main commodity WMP.

AMF saw an average increase of +3.72%. C1 trades 1.23% above the AWP in event 297. The average of C1-C6 trades 2.67% above the last AWP.

SMP futures saw upside in all contracts, bar C1. On average, SMP futures trade 3.5% above the AWP in event 297.

Butter saw upside in all contracts. Butter futures trade on average 0.3% above the AWP in event 297.

WMP moved down through all contracts with heavier losses in the front contracts. On average, C1-C6 trade +4% above AWP in event 296.

- On a weighted, 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%, driven by the general positivity in the cash markets and stagnating milk production in key production countries. Milk production of key export countries rose by 0.9% YTD August/September or + 2.6 billion kgs, while world trade in Key commodities increased by 2.9 billion kgs YTD Aug/September.
- After modest growth in NZ milk production in 2020, 2021 has started with robust increases. That trend was broken in August-October that saw milk production vs 2020 move down strongly by -4% or -296 million kgs. YTD October is still up by 1.61% or +260 million kgs. The season-to-date October, however, stands at -3.44% or -273 million kgs.
- Vs incremental milk production YTD October, NZ was able to incrementally export 748 million kgs LME, implying a 475 million kgs LME stock reduction since the start of the year.
- So far, China has sustained its buying spree up to August but September, although still up vs 2020, saw a strong slowdown in dairy imports. October was the 2nd month this year (after February) that saw a -3.45% reduction in imports or -47 million kgs LME. Extrapolated on basis of YTD October data, China seems set to import an incremental 4.32 billion kgs LME in 2021.

In the Greenmark Dairy Report of this coming Wednesday, we will report with an in-depth analysis of the outcome of event 298. 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