

The Greenmark GDT heads-up, event 300

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 steady.

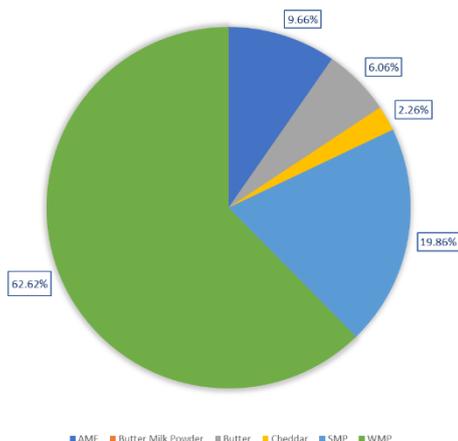
When we look at the CME spot market, last Friday the weekly average price for SMP saw an increase of 6.4% since the last GDT event, while Butter increased by 16% in the same period. Cheddar blocks moved up by 2.7% during the same time (And barrel + 12.3%) but remains priced - \$ 932/mt lower than the last AWP on GDT 299 or -17%. Since the last GDT event, the European Price index for Butter moved up by 1.3% and the SMP index by 2.49%.

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 +2.04%, Butter 0.85%, WMP 1.35%, and SMP + 1.04%.

On offer at Event 300:

| GDT event 300 | | | | | | |
|---------------------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|
| Sales Group Maximum Supply (MT) | Contract 1 (Feb 20) | Contract 2 (March 21) | Contract 3 (April 21) | Contract 4 (May 21) | Contract 5 (June 21) | Contract 6 (July 21) |
| Anhydrous Milk Fat | 350 | 970 | 650 | 450 | 300 | 230 |
| Butter Milk Powder | - | - | - | - | - | - |
| Butter | 200 | 700 | 425 | 275 | 250 | - |
| Cheddar | 70 | 200 | 200 | 200 | 20 | - |
| Skim Milk Powder | 375 | 2,675 | 1,525 | 840 | 650 | - |
| Whole Milk Powder | 3,500 | 9,000 | 4,775 | 1,300 | 550 | - |

GDT OFFERED VOLUME ALLOCATION EVENT 300



The total offered volume by Fonterra is 30,680 mt, a decrease of 5 mt or -0.02%. This is because the offer of BMP is absent in event 300. While the SMP offered volume declined, all other commodities increased.

| Product | event 299 | event 300 | change | change % |
|--------------------|---------------|---------------|-----------|---------------|
| | mt | mt | | |
| AMF | 2867 | 2950 | 83 | 2.90% |
| Butter Milk Powder | 842 | 0 | 0 | - |
| Butter | 1698 | 1850 | 152 | 8.95% |
| Cheddar | 648 | 690 | 42 | 6.48% |
| SMP | 6,498 | 6,065 | -433 | -6.66% |
| WMP | 18,132 | 19,125 | 993 | 5.48% |
| Total | 30,685 | 30,680 | -5 | -0.02% |

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 04/01 | settlements 14/01 | Δ | Δ% | AWP event 299 |
| Amf | C1 Jan | \$6,900 | \$6,800 | -\$100 | -1.45% | |
| | C2 Feb | \$6,800 | \$6,800 | \$0 | 0.00% | |
| | C3 March | \$6,875 | \$6,875 | \$0 | 0.00% | |
| | C4 April | \$6,850 | \$6,725 | -\$125 | -1.82% | |
| | C5 May | \$6,825 | \$6,750 | -\$75 | -1.10% | |
| | C6 April | \$6,650 | \$6,680 | \$30 | 0.45% | |
| | Average | | \$6,817 | \$6,772 | -\$45 | -0.66% |
| SMP | C1 Jan | \$3,780 | \$3,800 | \$20 | 0.53% | |
| | C2 Feb | \$3,790 | \$3,925 | \$135 | 3.56% | |
| | C3 March | \$3,800 | \$3,990 | \$190 | 5.00% | |
| | C4 April | \$3,830 | \$3,990 | \$160 | 4.18% | |
| | C5 May | \$3,800 | \$4,025 | \$225 | 5.92% | |
| | C6 April | \$3,780 | \$3,860 | \$80 | 2.12% | |
| | Average | | \$3,797 | \$3,932 | \$135 | 3.56% |
| Butter | C1 Jan | \$5,905 | \$5,905 | \$0 | 0.00% | |
| | C2 Feb | \$5,905 | \$5,905 | \$0 | 0.00% | |
| | C3 March | \$5,880 | \$5,880 | \$0 | 0.00% | |
| | C4 April | \$5,825 | \$5,825 | \$0 | 0.00% | |
| | C5 May | \$5,775 | \$5,775 | \$0 | 0.00% | |
| | C6 April | \$5,750 | \$5,750 | \$0 | 0.00% | |
| | Average | | \$5,840 | \$5,840 | \$0 | 0.00% |
| WMP | C1 Jan | \$3,950 | \$3,910 | -\$40 | -1.01% | |
| | C2 Feb | \$4,085 | \$4,190 | \$105 | 2.57% | |
| | C3 March | \$4,120 | \$4,305 | \$185 | 4.49% | |
| | C4 April | \$4,115 | \$4,350 | \$235 | 5.71% | |
| | C5 May | \$4,150 | \$4,330 | \$180 | 4.34% | |
| | C6 April | \$4,100 | \$4,330 | \$230 | 5.61% | |
| | Average | | \$4,087 | \$4,236 | \$149 | 3.65% |

Overall, we continue to see upside on average pricing, except for AMF, while Butter remained unchanged.

AMF saw an average decrease of -0.66%. C1 trades 1.98% above the AWP in event 299. The average of C1-C6 trades 1.56% above the last AWP.

SMP futures saw upside in all contracts. On average, SMP futures trade 4.21% above the AWP in event 299.

Butter remained unchanged in all contracts. Butter futures trade on average 0.85% above the AWP in event 299.

WMP moved down in C1 but saw significant upside in C2-C6. On average, C1-C6 trade +9.57% (!) above the AWP in event 299.

- 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 2.5%, 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 0.55% YTD Oct/September or + 1.8 billion kgs, while world trade by main exporters key commodities rose by 0.8 billion kgs YTD October. If we discount increases in domestic consumption, it may seem clear that globally, stocks have declined.
- The elephant in the room is the significant discount in the NZX WMP C1 contract vs the deferred contracts.
- After modest growth in NZ milk production in 2020, 2021 started with robust increases. That trend was broken during August – November that saw milk production vs 2020 move down strongly by -3.29% or -340 million kgs. YTD November is still up by 1.13% or +216 million kgs. The season-to-date November, however, stands at -2.92% or -317 million kgs.
- Vs incremental milk production YTD November, NZ was able to incrementally export 637 million kgs LME, implying a 421 million kgs LME stock reduction since the start of the year.
- China has picked up its buying spree in November after a negative October. Extrapolated on basis of YTD October data, China seems set to import an incremental four 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 300. 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