

The Greenmark GDT heads-up, event 311

After a short while of declining prices, the markets for the commodities offered on GDT had started to move up again in all main exporting regions but the past weeks saw downside.

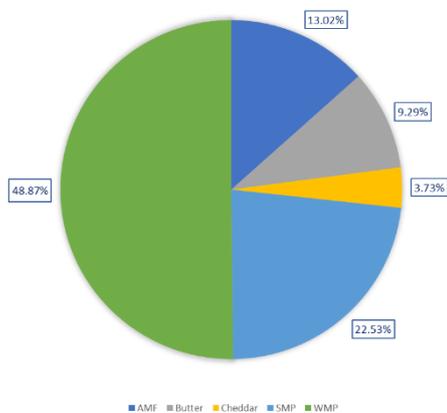
When we look at the CME spot market, Friday the weekly average price for SMP was down **-0.57%** since the last GDT event, while Butter increased by 1.16% in the same period. Cheddar blocks rose by 2.93% during the same time. US Cheddar is currently priced \$ 25/mt higher than the last AWP on GDT 310 or 0.51%. Since the last GDT event, the European Price index for Butter moved down by **-0.71%** while the SMP index moved down by **-1.42%**.

Focusing on New Zealand, the Fonterra offerings in today's event 311 show that the NZX C1 future vs AWP's in the previous event are as follows: AMF UNCH, Butter +3.07%, WMP **-3.19%**, and SMP **-0.24%**. The average futures prices for July - Dec vs the last AWP are AMF **-0.63%**, Butter **-0.67%**, WMP **-2.33%**, and SMP **-1.80%**.

On offer at Event 311:

GDT event 311						
Sales Group Maximum Supply (MT)	Contract 1 (Aug 22)	Contract 2 (Sept 22)	Contract 3 (Oct 22)	Contract 4 (Nov 22)	Contract 5 (Dec 22)	Contract 6 (Jan 22)
Anhydrous Milk Fat	100	1,000	700	600	370	230
Butter Milk Powder	50	215	175	75	75	-
Butter	165	650	500	375	250	200
Cheddar	0	160	260	280	80	80
Skim Milk Powder	0	1,675	1,350	1,090	1,075	-
Whole Milk Powder	500	3,375	4,200	1,750	1,435	-

GDT OFFERED VOLUME ALLOCATION EVENT 311



The total offered volume by Fonterra is 20,540mt, an increase of 2,500mt or +12.17% vs the previous event. This is in part caused by the offer for BMP that was absent in event 310. The AMF volume was decreased while all other product volumes increased.

Product	event 310	event 311	change	change %
	mt	mt		
AMF	3475	3000	-475	-13.67%
Butter Milk Powder	0	590	590	-
Butter	1320	2140	820	62.12%
Cheddar	750	860	110	14.67%
SMP	4,025	5,190	1165	28.94%
WMP	10,970	11,260	290	2.64%
Total	20,540	23,040	2,500	12.17%

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

The contract offer profile for Whole Milk Powder has been updated with 10,900 metric tonnes moved from the December - May events to the September - November events. The forecast total offer quantity for Whole Milk Powder remains unchanged. This change is to better meet market demand.

The forecast total offer quantity for Cheese has been reduced by 2,010 metric tonnes between July and June, with the current event reduced by 110 metric tonnes. These changes are the result of product mix optimisation.

The 12 months forecast offer quantity for all other products 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 21/06	settlements 04/07	Δ	Δ%	AWP event 310
Amf	C1 July	\$6,000	\$6,000	\$0	0.00%	
	C2 August	\$6,125	\$6,000	-\$125	-2.04%	
	C3 Sept	\$6,115	\$6,000	-\$115	-1.88%	
	C4 Oct	\$6,065	\$6,075	\$10	0.16%	
	C5 Nov	\$6,165	\$6,165	\$0	0.00%	
	C6 Dec	\$6,155	\$6,155	\$0	0.00%	
Average		\$6,104	\$6,066	-\$38	-0.63%	\$6,201
SMP	C1 July	\$4,200	\$4,190	-\$10	-0.24%	
	C2 August	\$4,200	\$4,140	-\$60	-1.43%	
	C3 Sept	\$4,200	\$4,100	-\$100	-2.38%	
	C4 Oct	\$4,135	\$4,040	-\$95	-2.30%	
	C5 Nov	\$4,135	\$4,040	-\$95	-2.30%	
	C6 Dec	\$4,130	\$4,040	-\$90	-2.18%	
Average		\$4,167	\$4,092	-\$75	-1.80%	\$4,240
Butter	C1 July	\$5,870	\$6,050	\$180	3.07%	
	C2 August	\$5,870	\$5,850	-\$20	-0.34%	
	C3 Sept	\$5,870	\$5,700	-\$170	-2.90%	
	C4 Oct	\$5,825	\$5,750	-\$75	-1.29%	
	C5 Nov	\$5,825	\$5,750	-\$75	-1.29%	
	C6 Dec	\$5,825	\$5,750	-\$75	-1.29%	
Average		\$5,848	\$5,808	-\$39	-0.67%	\$6,068
WMP	C1 July	\$4,225	\$4,090	-\$135	-3.20%	
	C2 August	\$4,235	\$4,110	-\$125	-2.95%	
	C3 Sept	\$4,230	\$4,105	-\$125	-2.96%	
	C4 Oct	\$4,205	\$4,120	-\$85	-2.02%	
	C5 Nov	\$4,205	\$4,135	-\$70	-1.66%	
	C6 Dec	\$4,210	\$4,160	-\$50	-1.19%	
Average		\$4,218	\$4,120	-\$98	-2.33%	\$4,158

Overall, we see strong downside on average pricing across all products with the biggest decline in powders.

AMF saw an average decrease of -0.63%. C1 trades -4.29% below the AWP in event 310. The average of C1-C6 trades -3.24% below the last AWP.

SMP futures saw downside with the strongest decreases in the deferred contracts. On average, SMP futures trade -3.844% below the AWP in event 310.

Butter, like AMF, also saw decreases in all contracts except the C1 contract. Butter futures trade on average -4.55% below the AWP in event 310.

WMP moved down significantly in all contracts. On average, however, C1-C6 trade -0.96% above the AWP in event 310.

- On a weighted, calculated basis of NZX futures vs settlement prices in the previous GDT event, movements on the NZX point towards a -3% decrease in the GDT index.
- After modest growth in NZ milk production in 20/21, 2021/2022 started with robust increases. That trend was broken during the August – May '22 period which saw the full 21/22 season's milk production vs 20/21 move down strongly by -4.24% or -947 million kgs.
- Vs incremental milk production Season to Date April, NZ was able to incrementally export 57 million kgs LME (Season to date May '22). Imports have been 24 million kgs higher, implying a -914 million kgs LME stock reduction since the start of the 21/22 season that brings the theoretical stocks to a historically low level.
- The Chinese buying appetite remains the elephant in the room this event. According to current reports, China's economy contracted sharply in April with consumer activity down by 11.1%. This has slightly improved, but May still shows a contraction of -6.7%. Industrial production was slightly up 0.7%.
- Latest import data from China, overall shows May imports were down strongly by -26.6% but NZ's share only by -7%.
- Price weakness is in part caused by the northern hemisphere's holiday season.

In the Greenmark Dairy Report of this coming Wednesday, we will report with an in-depth analysis of the outcome of event 311. 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.