

## Report for week beginning 20 May 2017

### Global SMP & Butter Price Outlook Summary

18 May 2017	Delhi SMP Param Premium INR/Kg	SMP Maharashtra INR/Kg	Europe SMP USD/MT	Oceania SMP USD/MT	Europe Butter USD/MT	Oceania Butter USD/MT
Closing Prices	256	215	2000	1950	4975	5025
Change	0	0	0	0	0	0
Fundamental Summary	<b>Critical Price drivers</b>					<b>Price Direction</b>
	Tight supply from Oceania					Upward
	Increasing supply from USA & EU					Downward
	Demand for Dairy Products other than SMP, High SMP inventory with EU					Downward
	IMD forecast for normal rainfall during 2017.					Downward
Price Outlook Summary	<b>Delhi SMP Param Premium</b>		<b>Europe SMP</b>		<b>Oceania SMP</b>	
	Prices are likely to hold above INR 245 and gain higher towards INR 270 ahead of turning lower in the coming 2-3 months		Prices are likely to stay below USD 2100 and trade lower towards 1750/1650 in the coming 2-3 months		Prices are likely to weaken towards USD 1700 upon staying below USD 1900 in the coming 2-3 months	
	0 to 1 Month	0 to 2 Months	0 to 1 Months	0 to 2 Months	0 to 1 Months	0 to 2 Months
Direction	Upward	Downward	Downward	Mixed	Downward	Mixed

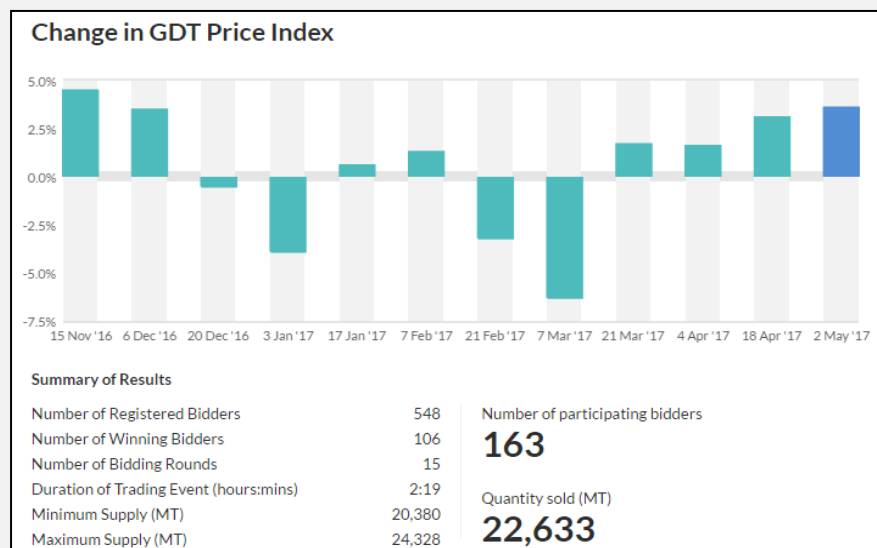
Price Range	245-270	270-240	2100-1700	1650-2100	1900-1700	1700-2000
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Price Outlook Summary	Europe Butter		Oceania Butter	
		Prices are likely to hold below USD 5300 and turn lower towards 4200 in the coming 2-3 months		Prices are likely to hold below USD 5500 and turn lower towards 4400 in the coming 2-3 months
Direction	0 to 1 Month	0 to 2 Months	0 to 1 Months	0 to 2 Months
	Mixed	Downward	Mixed	Downward
Price Range	5300-4700	5300-4200	5500-4900	5500-4400

## Fundamental Analysis: Global

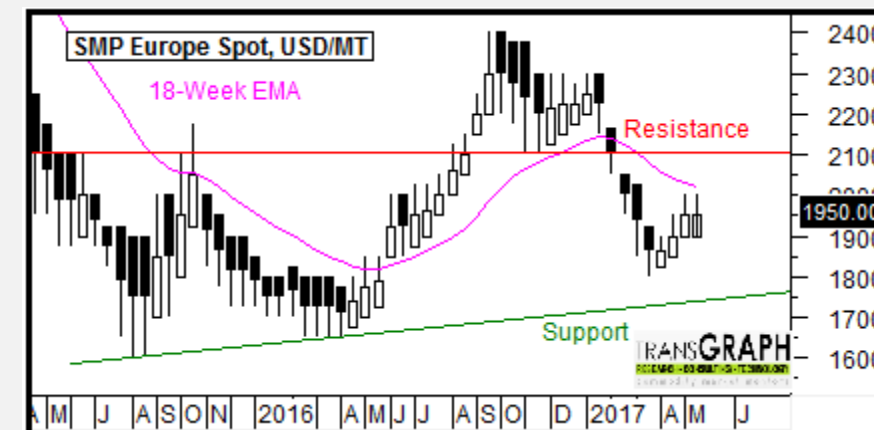
- ✓ Global dairy product prices in the 188<sup>th</sup> Global Dairy Auction Index traded on positive note by +3.6% compared to last session amid less quantity offered by owner of GDT auction i.e Fonterra. WMP and butter traded positive due to strong participation from North Asia however SMP fell marginally on account of recovery of favorable climate in NZ.
- ✓ Recent cyclone in NZ had positive impact global trade auction, however weak demand for SMP kept its price marginally low. After ending flush season in NZ, SMP price anticipated to take trade firm moving forward
- ✓ Expected over all short supply of milk from Oceania- NZ & AUS by 5-6% shall support the SMP prices moving forward in medium term.
- ✓ Though m-o-m production is 2% lower in NZ, it is likely to get marginal higher milk production during 2<sup>nd</sup> half of the year on expected higher farm gate prices and recovery of farmers from long debt.
- ✓ Skimmed milk powder price could remain under pressure due to the massive stocks of this product that have built up in Europe.

- ✓ SMP stock of 450,000 MT with Europe shall restrict SMP prices for any aggressive gain. It may be noted that the stock is getting older and shall be used as feed stock and release of such stock will not allow SMP prices to trade higher.
- ✓ Political uncertainty could also have a major effect on European markets as France, Germany and UK go to polls and any upsets likely to cause price fluctuations volatilities in market.
- ✓ From Chinese side, expectations of robust demand, likely to bolster profitability in China's own dairy farming operations.
- ✓ Change in Canada position for imposition of higher import tariff for US milk shall keep SMP prices under control from steep price rise.
- ✓ Overall Stock holding of SMP against butter demand shall keep SMP prices on trade on mixed note in coming 2-3 months.



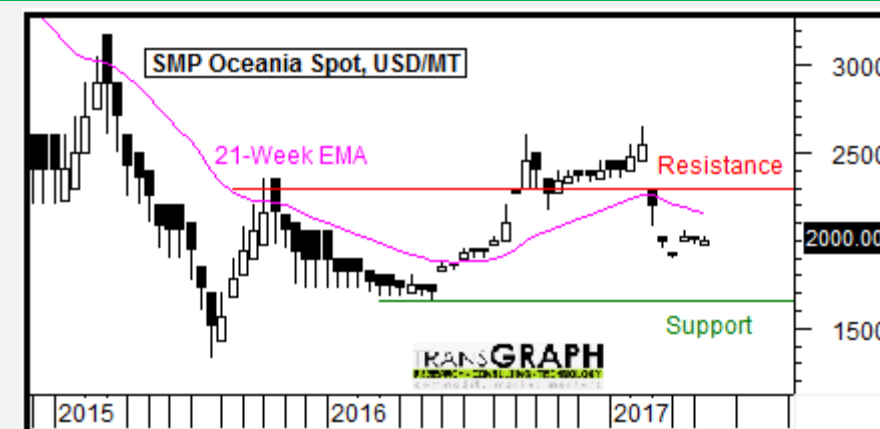
*Taking a holistic view, global dairy and dairy product prices likely to trade on mixed note due to increasing milk supply in USA and EU on one hand and squeeze in supply from Oceania on the other (in the forthcoming weeks.)*

## Technical Outlook: Europe SMP Spot USD/MT



SMP Europe spot prices are likely to stay below USD 2100 and trade lower towards 1750/1650 in the coming 1-2 months.

## Technical Outlook: Oceania SMP Spot USD/MT



SMP Oceania spot prices are likely to weaken towards USD 1700 upon staying below USD 1900 in the coming 2-3 months.

## Fundamental Analysis: India

- ✓ Currently Indian dairy is passing through lean season amid severe heat wave in peninsular and north India and likely to continue up to June month.
- ✓ Prevailing high temperature and less milk availability likely to support further uptick in SMP prices moving forward. On this support, diversion of SMP towards liquid milk reconstitution shall squeeze the supply of SMP for open sell and support SMP to trade firm in coming weeks.
- ✓ IMD forecast for normal rainfall in coming June- Sept likely restrict aggressive gain in SMP price in medium term.
- ✓ On TN front, milk production is still gloomy. April month observes starts of flush season but due to lack of rain from NE will keep SMP prices higher.
- ✓ Slaughtering ban of cattle shall continue to support cow milk SMP in coming months. However better farm gate prices for the last 2-3 months shall encourage farmers to rear animal and help in raise milk production during 2<sup>nd</sup> half.
- ✓ It has been observed that farmers are gearing up of milk production in coming flush season on account of higher realization due to increased milk prices across India.
- ✓ Going by above strong fundamental moving forward, SMP price in country projected to (continue) remain bullish till 2018. (SMP inventory of 2014-15 & 16 is exhausted and industry will form sufficient inventory now and onwards likely to release less of SMP in open market)

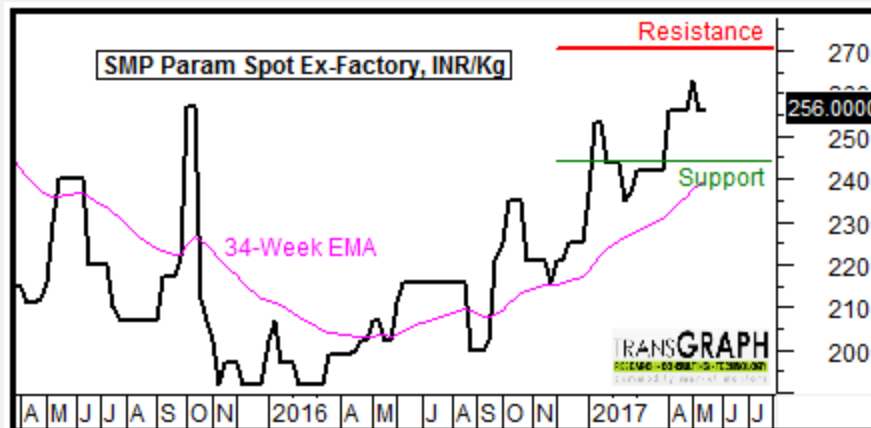
**Taking a holistic view, SMP is expected to trade positive tracking current domestic demand coupled with ongoing lean season in country.**

## Procurement Strategy: Delhi SMP Param Premium

Delhi SMP Param Premium Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	16 May 2017	15 June 2017		INR 250/Kg	50%
Strategy Review	<b>Yet to be Priced (Remaining quantity)</b>				
	248				50%
	May'17 was covered at an average price of INR 253 against the average of INR 257.75.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	Delhi SMP Param Premium Ex-Factory INR/Kg	2003 to Till Date	2.85%		
		May 2017	1.84%		

\* Please contact Engagement manager for forward / long term buying strategies

## Technical Outlook: Delhi SMP Param Premium Ex-Factory INR/Kg



SMP Param Premium Delhi spot prices are likely to hold above INR 245 and gain higher towards INR 270 ahead of turning lower in the coming 2-3 months.

## Market Prices

Market	Commodity	15 May 2017	05 May 2017	Change	Change %
Europe	SMP	1950	1950	0.0	0.0
Oceania	SMP	2000	2000	0.0	0.0
Europe	Butter	4975	4975	0.0	0.0
Oceania	Butter	5025	5025	0.0	0.0

Market	Commodity	18 May 2017	20 Apr 2017	Change	Change %
Delhi	SMP	256	256	0	0.00%
Maharashtra	SMP	215	210	5	2.38%

Maharashtra	Ghee	400	400	0	0.00%
Delhi	Ghee	390	390	0	0.00%
Delhi	Butter	360	350	10	2.86%
Maharashtra	Butter	370	360	10	2.78%
Delhi	Cream	350	340	10	2.94%
Maharashtra	Cream	360	350	10	2.86%

Cream (North) Cream (MH)	6.5% fat/8.5 SNF		3.5% fat/8.5% SNF	
	Farmer's price	Landed price	Farmer's price	Landed price
Eastern UP	37	39	27	29
Western UP	39	41	27.5	29
Haryana	38	40.5	27.5	29
Rajasthan	37	40	27	29
Maharashtra	39	41	28	31
Andhra Pradesh	36	38	25.5	27.5
Karnataka	35	38	25.5	28

## Our Extensive coverage of Sugar, Plantation and Dairy

Report	Coverage #	Price Outlook & Strategies
Daily ICE Sugar Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	US.SUGAR 11.ICE
Daily ICE COCOA Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	US.COCOA.ICE
Daily NCDEX Sugar Price Outlook and Strategy	NU, FA, WA, PI, TA, TS, PO, FF, MP, 5D	IN.SUGARM.NCDEX,
Weekly Indian Sugar Price Outlook and Strategy	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2W, 6W	IN.SUGAR.KOLAHPUR, IN.SUGAR.MUZZAFARNAGAR, IN.GUR.MUZZAFARNAGAR
Bi-weekly AP COCOA Market Intelligence	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W,2M	IN.COCOA.AP
Bi-weekly Kerala COCOA Market Intelligence	NU, FA, WA, PI, TA, PS, PO, FF, MP, 6W,2M	IN.COCOA.KERALA
Bi-weekly Milk and Milk Products Market Intelligence	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	IN.SMP.DELHI, IN.SMP.MH, EU.SMP, AU/NZ.SMP, EU. BUTTER,AU/NZ. BUTTER
Monthly Sugar Price Outlook	NU, FA, WA, PI, TA, PS, PO, FF, MP, 2M	US.SUGAR.ICE, IN.SUGAR.KOLAHPUR, IN.SUGAR.MUZZAFARNAGAR
Monthly Ethanol Price Outlook	FA, PI, WA, PO, MI, FF, 2M	IN.RECTIFIED SPRIT. UP, IN. ENA. UP, IN.MOLASSES
Monthly Indian Dairy Industry Insights	Industry Analysis, MI, FA	IN.MILK

# News Update **NU**, Fundamental Analysis **FA**, Balance Sheets **BS**, Weather Analysis **WA**, Policy Impact **PI**, Technical Analysis **TA**, Trading Strategies **TS**, Procurement Strategies **PS**, Price Outlook **PO**, Market Intelligence **MI**, Facts & Figures **FF**, Market Prices **MP**, Price Spreads **PS**, Forward Curves **FC**, Elliott Wave Analysis **EWA**, 5D, 2W, 6W, 2M, 4-6M

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