

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **VALE DON SCARLETT 1947-2022**
- **China's demand could be flattening / falling?**
- **New season milk pricing already on the table in Australia – it's big**
- **Does demand stop at these pricing levels? What happens when cheaper alternatives aint so cheap?**

1. It is with a very heavy heart that we announce that we lost Don Scarlett last Friday morning, he passed away at home after a period of on-going health issues. For those that aren't aware, Don founded Ausfine Foods along with two other partners, Terry Grigg & Graeme Amooore, back in 1988. Don had been heavily involved in the Australian dairy industry since the 1970s, forming strong relationships & friendships with many in the industry over his 40+ year career. Don's legacy is continuing through his son Chris who is the managing director at Ausfine. He was incredibly proud of the manner in which Ausfine is expanding its business both in Australia and internationally but even more so for the Ausfine culture being built under Chris's stewardship. For me personally, Don was my uncle, a man who was a larger than life character (& a little bit intimidating at times) who was always ready with great business advice & guidance. Beyond just Chris and I, he influenced many in our Ausfine family, some who had worked with him since the very first day of Ausfine. We will greatly miss Big Don, but his legacy remains through an Ausfine Foods that he would be proud of. For those interested, his funeral will be livestreamed, and details are below.
2. We are hearing anecdotal reports out of China that their milk production is up strongly in the early part of their Spring period. As always, obtaining accurate milk production data out of China is an exercise in futility so sometimes all you have to rely on is anecdotal reports and word of mouth. However, if true, and then combined with huge rolling lockdowns in various cities throughout the country due to COVID outbreaks and the added political tension relating to Russia and Ukraine; we may see some subdued demand out of the world's largest buyer of imported dairy products. Truth be told, subdued China demand in a period of run-away price increases may not be such a bad thing. Could you imagine where pricing would be if China was short on milk!!!
3. We are already seeing a lot of discussion / movement / jostling amongst dairy manufacturers for milk supply here in Australia for the new dairy season beginning in July. This is extremely early as this would typically have occurred a lot closer to the new season but it speaks volumes of the dearth of milk supply for many processors and the need to shore up their existing supply base and hopefully capture more. This all means that the pricing being bandied about is a historically high number

- and in some cases, there is talk of the price hitting \$8/kg and above. This pricing puts a lot of pressure on processors, which if current international dairy pricing is to hold will be manageable, but if it doesn't... well. The upshot regardless may be that we actually start to see some milk growth again in Australia after a very prolonged period of downs.
4. With current food inflation hitting consumers, the question being asked is whether there is a point where buying limits are hit and we see big falls in demand. For many food manufacturers, they are already working on re-formulating recipes to try to find some price relief through use of cheaper inputs. But what happens when that pricing inflation is universal and there are no cheaper alternatives. Typically, the answer would be a move out of Dairy Proteins / Fat and replace with Vegetable Proteins / Fat but with huge price spikes in those commodities also, largely due to high input costs along with the Russia-Ukraine conflict, the cheap alternatives may not be so cheap. So the question remains, at what point do consumers start to say enough is enough.

MATT COOPER – DIRECTOR

Funeral Notice

SCARLETT

The Celebration of Life for Donald John (Don) Scarlett will be held at Hampton Rovers Football Club, David St. Hampton on Thursday (March 17, 2022) at 1.00pm .

Private Cremation.

The Funeral will be webcast through the Tobin Brothers website, please search Don's name in the Funeral Services/Webcast search bar.



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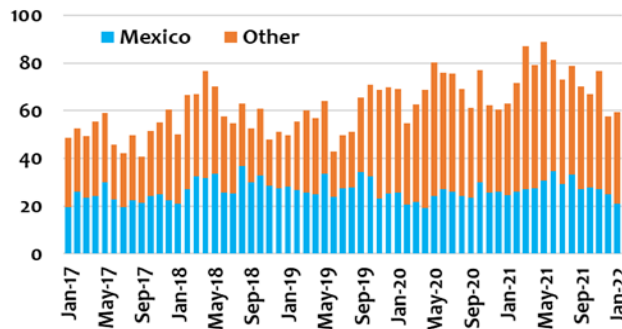
Mozzarella Cheese Price: \$5400 per MT Volume: 150MT	CLOSING in 7 days
Unsalted Butter Price: \$7500 per MT Volume: 100MT	CLOSING in 6 days
Salted Butter Price: \$7790 per MT Volume: 200MT	CLOSING in 5 days

US exports mixed in January

Total US cheese exports rose 17% YOY in January to 29,525t, a 12-month low. but in YOY terms shipments have increased in each month since July 2020. Shipments to Mexico and Australia increased, offsetting weaker sales to South Korea and Chile. Exports of fats (butter and AMF) also increased in January, up by 25% YOY and 270% YOY respectively.

NFDM/SMP exports declined for the second consecutive month however, down 6% YOY to 59,406t, due to weaker sales into Mexico (due to delays), Vietnam and Peru despite stronger shipments to the Philippines, Malaysia and China.

US SMP exports ('000t)



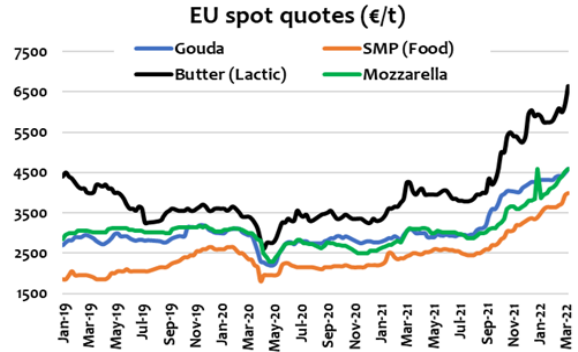
US demand up in January

Commercial American cheese disappearance rose 2.6% YOY in January 2022. That compares to a 3.1% lift in commercial disappearance of other cheese varieties (including mozzarella) over the same month. Overall domestic cheese demand rose 2.9% YOY to 491,741t in January.

American cheese stocks-to-use stood at 51.8, down 7.3% from the prior month and flat YOY. Butter was at 37 at the end of the month, up 24.8% from December and down 42.5% YOY. Butter commercial disappearance rose by 15.7% YOY in January – the third consecutive monthly increase and the 6th in the past seven months. Among other key dairy products, domestic commercial disappearance of NFDM/SMP continues to trend lower, falling 3.3% YOY in January and 28.9% over the past 12 months. frozen.

EU product prices surge

Netherlands fresh lactic butter has surged to €6,650/t, while fears factory dryers will shut down if gas is rationed, helped food-grade SMP reach €4,000/t. With Gouda at €4,650/t it and Mozzarella are on the way to crossing the €5,000/t mark with cheddar. SWP continued to trade higher latest weekly Dutch quotes at €1,460/t.

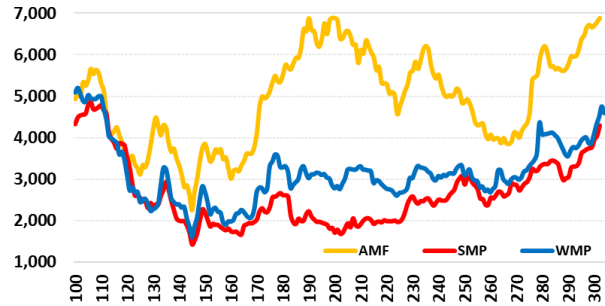


GDT index dips

The GDT index rose was down 0.9% at event #304, with WMP price down, SMP demand strong and fats mixed.

WMP fell 3.4% to average US\$4,596/t with falls across most contracts. SMP rose 1.4%, averaging US\$4,545/t with moderate lifts across most contracts. Butter fell 1.8% to average US\$6,958/t while AMF rose 0.9% to average US\$7,111/t. Cheddar edged up 0.3% to average US\$6,412/t, with heavy losses for earlier contracts up 16.2% in C6.

GDT weighted average auction prices by event, US\$/t



DAIRY FUTURES

Futures mixed – NZX SMP jumped this week; CME Butter and Cheese both lost ground. All prices quoted in US\$/t.

16-Mar	SMP	NFM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Apr-22	4,775	4,031	5,130	4,795	7,190	5,928
May-22	4,800	4,101	5,130	4,921	7,270	5,866
Jun-22	4,750	4,120	5,130	4,980	7,170	5,840
Jul-22	4,650	4,127	5,050	5,004	7,000	5,832
Aug-22	4,600	4,122	4,940	5,027	6,875	5,848
Sep-22	4,515	4,059	4,770	5,022	6,750	5,848
Change	5%	1%	2%	-2%	0%	-2%
Op interest	8,822	6,370	24,912	10,414	1,557	7,662

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