

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **Global shipping turning into the Hunger Games**
- **USA – My kingdom for a truck**
- **Euro's are back from holidays and they're buying**
- **Kiwi's join us Aussies in trying on this lockdown thing again**

1. Seems that only the fittest will survive in the world of global shipping at the moment, our own version of the Hunger Games. Like the movie, the shipping lines are like those weird looking aristocrats looking down on the contestants (us) to decide who they deem gets vessel space and has the privilege of paying double, triple (quadruple?) what they were paying 12 months ago. Of course, that is on the proviso that the shipping lines are still even servicing the port you need to ship to. As an example, try to move freight to Chittagong at the moment and you will likely get the unpleasant feedback that "sorry we are no longer servicing that port". Overlay that with rolling port congestions issues (now NZ port of Tauranga is taking it's turn of working at less than 50% capacity due to COVID pings on its workforce) and it is truly crazy times out there. Some are taking matters into their own hands and actually leasing vessels to try to get product moving. We hear that Fonterra did exactly that recently in an attempt to clear some backlog of WMP shipments to China.
2. As a continuation of point one, we hear very similar feedback out of the US at the moment but swap lack of ships with lack of trucks. Seems that truck availability in America is at an all-time low and in some instances space on trucks (particularly when moving product from the West Coast to the Mid-West) is being almost auctioned to the highest bidder and it's not unusual for some customers to have their freight bumped numerous times in their efforts to move inventory. Combine that with the fact that shipping lines are not allowing containers to go too far inland and the pressure on trucking becomes even more acute. Feedback is that internal freight rates in the US have at least doubled over recent times.
3. After enjoying a well-earned break and some newly re-found freedoms, many of the dairy buyers in Europe have appeared to come back in the buying mood with prices for most product categories noticeably firming. Butter has been the stand-out with prices firming by €200/MT over the last four weeks. Most cheese categories have also firmed, as an e.g. cheddar has jumped by €150/MT and €50/MT for block Mozzarella. European milk growth has been moderating over recent months and a largely re-opening EU sees demand returning in many long-neglected categories, headlined by food service, which will be seeing some booming demand on the back of a very long hot summer (which may be contributing to that milk slow down).

4. For us in Melbourne, being in lockdown due to COVID seems to be our usual operating model. We entered our 6th hard "1 week" lockdown about three weeks ago, which leads me to one of my favourite jokes at the moment....it seems the hardest part of a one week lockdown is the first 4 weeks. Anyway, this time we have company. Sydney has been at this particular lockdown longer than us and still can't get it under control with a record 633 cases announced today in NSW. We've also been joined by all of New Zealand (but focused on Auckland) with their first lockdown for a while. This all speaks to the continued misery in the food service sector as Restaurants, Hotels, Cafés, and Bars all suffer through another prolonged shut-down period. We now just wait for the Vaccine threshold to be reached to put this behind us, which at the moment is looking like November on current estimates. Hopefully our Kiwi brothers & sisters won't be facing the same fate as they've been better at stamping this thing out than us, but for us Aussies you won't be seeing us or visiting us for some time yet 😞.

MATT COOPER – DIRECTOR

Employee in focus: Janine Bieg

It's hard to believe Janine Bieg has spent more than half of her life working at Ausfine Foods. She started in October 1989 and worked for the 3 original owners, Don, Terry, and Graeme. She had never worked in the export industry before and so learnt on the job but enjoyed the level of attention to detail and organisation the job required. In those early days, she was a "jill of all trades", including meat and dairy exports, accounting assistance and couriering documents. Ausfine is a very different company to those early days and Janine's job today is much more streamlined with a focus on dairy exports. We celebrated both Janine and Ausfine's 30 year anniversary last year and she is now the longest serving employee of Ausfine. We hope to have her around for many more years to come and thank Janine for her loyalty and dedication to Ausfine Foods!



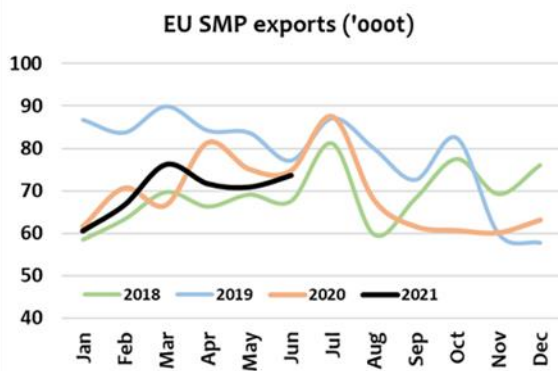
Ausfine Marketplace

See more offers: <http://bitly.ws/foZe>

Lactose Price: \$1450 per MT Volume: 200MT	CLOSES in 7 days
WMP Price: \$3890 per MT Volume: 200MT	CLOSES in 8 days
CHEDDAR Price: \$4100 per MT Volume: 150MT	CLOSES in 8 days

EU-27 exports weak in June

EU-27 dairy exports were lower in May across all product categories tracked, except for milk & cream. At 73,736t, SMP exports were 1.3% down YOY, with sharp falls in shipments to Sub-Saharan Africa and the Middle East, and despite positive trends in China & HK and SE Asia sales. With lower local manufacture, the current and projected EU-27 stock situation is quite tight, particularly considering the slow milk growth in Germany and France at the end of July. Cheese exports fell 4.9% YOY to 120,464t – which was actually a 3-month high - reflecting weaker shipments into the UK and Japan. Fat exports continued to track lower YOY in June, with butter and AMF falling by 21.2% and 36.2% respectively. WMP exports fell 16.9% YOY in June and were down 16.3% in the corresponding quarter.



US cheese prices recover

After falling to as low as US\$2,883/t, cheese barrel prices have recovered, with latest CME quotes at US\$3,263/t. CME cheese blocks have also rebounded to US\$3,946/t, with the blocks-to-barrels spread back to where it was on August the 10th (US\$683/t). According to local contacts, the improvement in cheese prices can be explained by tighter milk supplies in the Upper Midwest and particularly in the West. Also, stronger exports at competitive prices, some production facility issues and potentially prospects for stronger retail demand given the increase in COVID cases may be at play.

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Irish milk growth slows

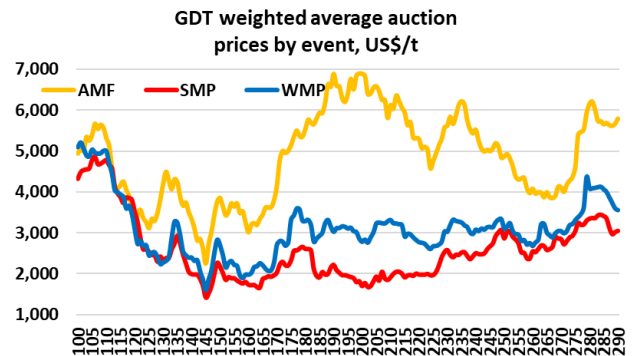
Irish output rose 3.7% YOY in June, but that was the slowest expansion since February, with SMP output just below the prior year comparable. Italy also had another stellar month, with milk output up 5% YOY, although Eurostat figures vary widely from the industry reported AGEA series. Dutch production rose 0.4% YOY, following six consecutive monthly falls.

According to the most recent data, French milk production fell 2.2% YOY in week 30 (ending 1 August 2021), the seventh consecutive weekly contraction. German supply fell 2.5% YOY in week 29 – in both Germany and France, trends in supply have worsened since late June despite improving pasture growth conditions. AHDB reports UK production fell 1.1% YOY in July after increasing 1.3% YOY in June.

GDT edges up

The GDT index gained 0.3% at GDT Event 290, the first increase since the middle of April.

WMP continued to slide, dropping 1.3% to average US\$3,552/t, recording falls across all contracts. SMP remained steady adding 1.1% to average US\$3,052/t with gains for all contracts. Fats improved again; butter averaged US\$4,771/t, up 4.0% with major gains across contracts with near-term delivery. AMF rose 2.2% to average US\$5,791/t with mixed contracts. Cheddar continues its upward trajectory, gaining 2.9% to average US\$4,184/t with stronger gains in C4 to C6.



DAIRY FUTURES

Fats gain – CME butter and NZX AMF both trended up, while CME cheese continues to lose ground. All prices quoted in US\$/t.

18-Aug	SMP	NDM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Sept-21	3,060	2,773	3,515	3,807	5,600	3,777
Oct-21	3,075	2,798	3,505	3,825	5,600	3,805
Nov-21	3,075	2,822	3,495	3,946	5,650	3,817
Dec-21	3,080	2,844	3,495	3,926	5,600	3,849
Jan-22	3,155	2,849	3,490	3,889	5,575	3,846
Feb-22	3,180	2,866	3,490	3,898	5,550	3,875
Change	-1%	0%	-1%	-2%	3%	2%
Op interest	7,366	4,570	22,302	15,788	1,477	6,008