

## FROM THE TRADING FLOOR

### KEY MARKET DRIVERS

- **USA shipping... It will get better soon, Right?? Right??**
- **Trade comes to EU are we transferring the problem?**
- **Australia re-opens it's border next Monday – Daigou mark 2?**
- **Farmers are getting more in their cheques globally, so where's the milk?**

1. So how bad is the port congestion at the USA West Coast ports and delays at the present time? Well, as an exercise let's track one vessel's movements and timing from the port of Oakland to a main port Australia. Ladies and Gentlemen, let me introduce you to the Conti Cordoba on voyage number 144S; the vessel is run by MSC. For those folks lucky enough to have obtained a booking on this vessel (& not have it rolled) they would've requested a booking on 14/10/21. The original booking would've stated an Oakland ETD on 23/11/21 and an ETA into Sydney on 29/12/21. The actual ETD Oakland for the Conti Cordoba was 26/11 it then sailed to Los Angeles where it waited & waited & waited some more. ETA Los Angeles was 27/11, it finally berthed LA on 08/01/22 and then left the port of LA on 11/01, burning the lazy 45 days waiting at L.A. The Conti Cordoba was then finally on its way across the Pacific, hitting Auckland where it was delayed again (because of Auckland's own port issues) with an ETA of 2/2, berthing and departing on the 12/2 and then finally arriving into Sydney on the 18/2/2022. What would normally take 36 days in total has now taken our intrepid Conti Cordoba 84 days and that's not including that 6.5 week delay in getting the booking in the first place... and that ladies and gentleman is the reason your <insert USA import of choice> still hasn't turned up!!
2. So, with above in mind, we have seen a lot of traditional US dairy export buyers flock to alternate origins, namely Europe. The thinking being that even though it is going to be more expensive at least you're gonna get it right?? Well... that was certainly the case late last year when Euro logistics seemed to be handling the pandemic strain a lot better than other regions, but recently we've been hearing a lot more talk of lack of equipment availability and trouble getting bookings on vessels. Whilst not to the same degree as the USA this is still disappointing news. The other issue out of Europe is the pricing for freight has exploded to some destinations that aren't China. Fingers crossed that, as the Omicron wave dies down, people return to work and some form of normality returns to the world, these issues can begin to ease and we'll at least have one big dairy region that we can rely on.
3. After 2 years of fortress Australia, we are finally re-opening our borders. As of Monday 21st February, we are officially open for business to all travellers who wish to return to our shores unimpeded by needs of quarantining, etc. For many in the dairy world, this is welcome news as this may see the return of

the Daigou buying model where Chinese students and travellers return to purchasing huge quantities of infant formula and 1kg milk powder from the retail shelf to be sent back to China, thereby serving as the basis of a large demand pool for these products. Unfortunately, we are going to have to wait a while longer as our borders are opening but China's certainly are not as they seek to maintain zero COVID strategy thereby severely limiting international travel. Further to this, once all borders finally do open, it will be interesting to see if the Daigou model returns to what it once was. Two years out of the game is a long time and a lot can change around demand and buying behaviour, etc... maybe it will be a case of Daigou-Lite going forward and a change in strategy for many. Time will tell.

4. Got Milk? A valid question and for many in the industry the answer is "Nup"! Farmgate milk prices are at record highs in many regions around the world so why is milk going backward? Doesn't economics 101 tell us that if you pay more you get more? On the surface, this should help to increase production levels to hit strong demand, unfortunately...not so fast. Without a doubt, increased fertiliser, energy, feed costs, high wages and a dearth of labour have chipped away at on-farm margins this year. This combined with increased governmental regulations and general industry exits all adds up to that wacky formula where you pay more but get less (kind of like shipping). Compounding this are reports of reduced milk solids in the milk. Of course, the farmers will argue that the economic formula still works just fine and the milk prices just have to rise higher to improve margins and then the milk will flow... the flow-on impact on dairy product pricing makes your eyes water..

**MATT COOPER – DIRECTOR**

## Welcome to Ausfine!

Join us in welcoming Rhett to the Ausfine team!

Rhett joined Ausfine in January 2022 in our Meat Sales department. He has a passion for agriculture having studied a Bachelor of Business (Agricultural Commerce) in Orange NSW and worked in a variety of agricultural operations including cropping, dairy, viticulture, and meat production. After starting in the meat industry in 2008, Rhett has gained experience in both domestic and export markets. Rhett's attitudes typify Ausfine's core values, ensuring that supplier and customer relationships are sustainable and mutually beneficial.

⚡ Outside of work Rhett enjoys to Camp, Mountain Bike, Golf, Hiking and Travel.



## Ausfine Marketplace

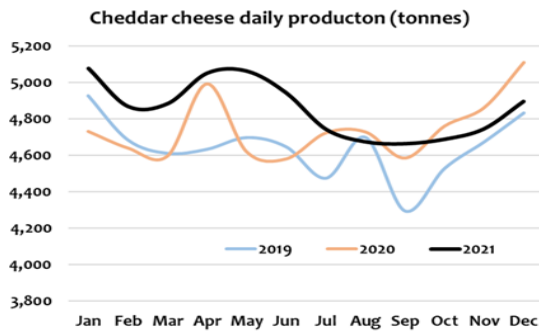
See more offers: <http://bitly.ws/foZe>

<b>Cream Cheese</b> Price: \$4460 per MT    Volume: 40MT	CLOSES in 4 days
<b>Cheddar</b> Price: \$5500 per MT    Volume: 100MT	CLOSES in 3 days
<b>Shredded Mozzarella</b> Price: \$5950 per MT    Volume: 50MT	CLOSES in 3 days

## US cheese output flat

Tighter US milk supplies and inconsistent food service demand has delivered another interesting set of numbers on dairy product output for December. Cheese production was flat YOY in December according to the USDA, after November's increase was revised upwards to 1.8%. In the western region, cheese output was almost 3% weaker, while it was flat in the central region.

American cheese output declined 1.2% YOY for the month (with a 4.2% YOY fall for cheddar on a strong 2020 comparable) while "other cheese" lifted 1.1% YOY. Combined NFDM & SMP output continued to plummet, down 21% YOY in December, with 25% YOY decline in SMP production. Butter production was down 13.2% YOY in December, in line with lower milk powder production.



## EU-27 exports squeezed by availability

December EU-27 exports reflected the tighter product availability across the board and weaker UK demand for cheese and fats. Cheese exports fell 1.8% in the month after steeper falls in the previous 2 months, which pulled 2021 shipments 0.5% lower than 2020. UK shipments were 9% weaker and 12% lower over H2-2021. Nth America remained a solid market, 6% higher in the month and up 4% over H2-2021.

SMP shipments were 15% weaker in the month, a gradually worsening comparison with the prior year, with 4th quarter exports down 10% year-on-year. Of its major markets, only Nth Africa remained in touch with prior year volumes, while exports to China halved in the month (H2-2021 exports were 18% lower) and SE Asian trade was 9% down in the month and 14% weaker in the half.

[www.ausfine.com.au](http://www.ausfine.com.au)

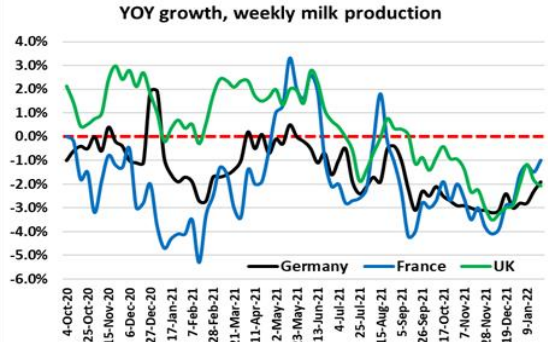
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## EU milk supply weaker in December

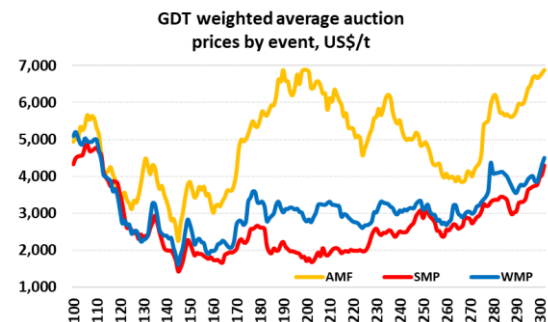
Eurostat has published December production data for 16 member states but is missing too many large regions for a meaningful estimate. Among those that have reported to date however, Netherlands was down 2.4%, while Polish output was 1.5% higher. More recent weekly data indicates the decline in French milk production was easing in the third week of January, improving to just 1% below the same week in 2021. German milk was down 1.9% in the same week.



## GDT index continues to lift

The GDT index rose 4.2% at Event #302, with strong gains in powders and butter.

WMP rose 4.1% to average US\$4,503/t with stronger gains recorded for contracts with near-term delivery. SMP jumped 6.0%, averaging US\$4,295/t with C1 up 7.8%. Butter posted a strong gain, up 5.1% to average US\$6,686/t while AMF rose 1.3% to average US\$6,889/t. Cheddar rose 3.5% to average US\$5,881/t, with lifts recorded for all contracts.



## DAIRY FUTURES

**Futures trend up** – CME Cheese jumped this week. Fats were mixed; CME butter flat. All prices quoted in US\$/t.

16-Feb	SMP	NDM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Mar-22	4,275	4,023	4,620	4,634	7,075	5,925
Apr-22	4,420	4,129	4,650	4,729	7,000	5,798
May-22	4,425	4,128	4,700	4,652	7,000	5,644
Jun-22	4,400	4,101	4,700	4,594	7,000	5,622
Jul-22	4,260	4,057	4,615	4,658	6,930	5,600
Aug-22	4,100	3,968	4,430	4,579	6,800	5,567
Change	2%	3%	1%	6%	2%	0%
Op interest	8,879	6,585	26,682	10,516	1,690	7,488