

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **Our thoughts and love go out to the people of Ukraine (& to our Russian friends caught up in this mess)**
- **It's getting Biblical down here; we've had droughts, a pandemic, now how about floods**
- **While our attention has been diverted, NZ milk has plummeted**
- **How much is that US cheese in the window? It's cheap but you can't have it!! (well, not for a while anyway)**
- **We gotta mention the gDT result**

1. I am sure we are all united in our shock and horror that an independent country in Europe is being invaded in 2022. Surely this stuff should be for the history books, right?!? It is so heartbreaking on top of everything else that has happened over the last two years. We're a long way from the turmoil down here but we do have an Ausfine staff member with family in the conflict zone so that certainly puts a human face on what would otherwise be a news report from a foreign land a long distance away. This will obviously have big impacts on our Dairy world, further putting inflationary pressures on a market that is already steaming ahead if we add a fall in milk supply from Eastern EU. That does seem a little secondary at the moment though, our thoughts and love go out to our Ukrainian brothers and sisters and also to the people of Russia who have been caught up in this mess through no fault of their own, just at the mercy of a madman and a system that means they can't get rid of him easily 😊
2. So, while we've got European countries being invaded how about we tick off some other biblical type action down here in Australia. First, we had the drought and horrendous bush fires, then we had a plague and now we have severe floods!! As we speak, Brisbane (Australia's 3rd largest city) is underwater (well large parts of it are anyway) leading to huge disruptions everywhere not to mention the port of Brisbane, which is now shut, just when you thought the logistics challenges couldn't get any bigger! The bad news (because we need more) is that this rain event is on its way south with Sydney in its cross hairs. Buckle up.
3. While the world's attention has been focused elsewhere, there is another big story unfolding over in New Zealand. As our NZ neighbours struggle through their first very big wave of COVID sweeping their shores and their workforces; we hear that their milk production was down 6.1% in January, this is on top of a 5.5% reduction in December. Overall, across their peak (September- January) NZ are down 3.8% or 45,000MT of milk solids. This is unexpected and a very big story in Dairy land.

When coupled with EU milk continuing to retreat (and that was before the Ukraine issues) and the US now also going backward, it is hard to see where the price relief is going to come from in the near future.

4. Another big news story was told overnight with Cheddar pricing on the gDT jumping by over 10%, settling at an average price of US\$6,400/MT on FAS basis, which is the highest cheese pricing ever on the dairy auction platform. Which makes us look longingly at a US CME block cheddar price of US\$2.03/lb (US\$4475/MT) a US\$2000/MT discount. Of course, there are other costs to be added to that US price (manufacturers premiums etc.) but it does give pause as to why such a big disparity, and the main reason is that although the pricing is attractive, you can't actually get any US cheese, well certainly not in a hurry anyway. With shipping Armageddon continuing over there, it is a bit like the siren song, sounds extremely attractive but beware there are rocks around for the unwary.
5. We don't normally comment too much on the gDT results, as it is well covered by others but when there is a standout result like last night, up by 5% on what is already a big number, it is hard to ignore. With the macro political issues going on you could be forgiven to assume there was a big jump in buying from China, but that doesn't appear to be the case, buying was largely in line with recent trends across the board but just with less supply to hit that demand. They say may you live in interesting times..... is the current state of affairs interesting enough for ya?!?

MATT COOPER – DIRECTOR

Welcome to Ausfine!

Join us in welcoming Lucas to the Ausfine team!

Lucas joined Ausfine in January 2022 as the very first hire of the Ausfine graduate program. He has a passion for agriculture having studied his Bachelor's and Master's of Agricultural science at the University of Western Australia. He conducted his Master's dissertation on reducing methane emissions in livestock. In 2021 he moved to Melbourne and entered the agricultural technology sector, before joining Ausfine

⚡ Outside of work his interest are Golf, Cycling, Gym, Cars and Heavy Metal. But most of all his two Italian Greyhounds.



GLOBAL DAIRY MARKETS

Ausfine Marketplace

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

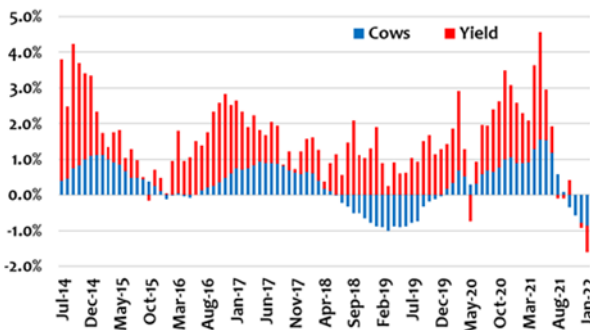
Frozen Cream Price: \$5755 per MT Volume: 100MT	CLOSES in 7 days
Unsalted Butter Price: \$7600 per MT Volume: 100MT	CLOSES in 5 days
Instant WPC80 Price: \$14000 per MT Volume: 50MT	CLOSES in 5 days

US milk down 1.6% in January

Milk production declined for the third consecutive month – down 1.6% YOY in January according to the USDA. The contraction was relatively higher when compared to the 0.9% YOY decline in December.

The overall decline in January was a result of a 0.7% YOY fall in average yields per cow and a 0.9% drop in the national dairy herd. At 9,368m, cow numbers were 9,000 head below the prior month and 74,000 head below the same month in 2020. Cow numbers have now declined in the past four consecutive months, while yields fell YOY in four of the last six months for which data is available.

YOY growth, US milk production



EU December milk down 1.5%

analysis of Eurostat and AGEA (Italy) data indicates EU-27 raw milk supplies fell 1.5% YOY in December, following a 1.3% YOY contraction in November. Among major producing countries, supply in Germany and France was down 2.9% YOY and 2.7% YOY respectively. Netherlands output fell 4.2% YOY. Following 23 consecutive monthly increases, Irish supplies fell 1% YOY in December as comparables become much harder to beat.

NZ exports lower in January

New Zealand exports of major dairy products were lower YOY in January. WMP exports fell 21.6% YOY to 120,257t – trade has now fallen in five of the last six months for which data is available. The overall contraction in January WMP

trade reflected a 38% YOY fall in shipments to China & HK. This is a timing issue, with stronger exports in earlier months meaning season-to-date shipments to this key market were down by just 0.2%.

SMP exports were 30,784t in January, down 6.3% YOY the third consecutive monthly decline, as shipments to China & HK fell by 36% YOY in January. Cheese exports also fell 12.5% YOY in January to 32,822t, with shipments to China & HK tracking much lower since August. Season to date cheese exports were ahead 1.3% relative to the prior year comparable.

European prices continue to rise

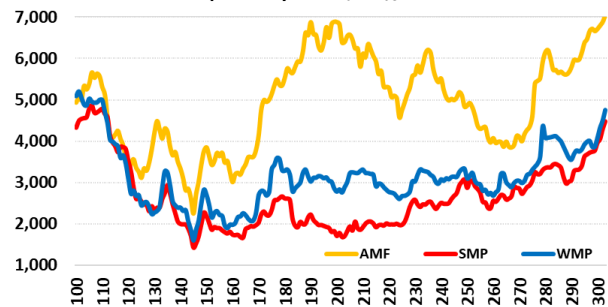
European commodity values continue to rise with German SMP prices up €25/t to €3,725/t, marking week on week lifts in price since late July 2021. Dutch SMP lifted €60/t to €3,750/t. German butter rose €25/t to €5,975/t. Dutch prices lifted €40/t to €6,030/t after remaining unchanged since the start of February.

GDT index moves up

The GDT index rose 5.1% at Event #303, with strong gains in WMP and butter.

WMP rose 5.6% to average US\$4,757/t with strong gains across all contracts. SMP lifted 4.3%, averaging US\$4,481/t with C1 rising over 7%. Butter jumped 6.0% to average US\$7,086/t while AMF rose 2.3% to average US\$7,048/t. Cheddar jumped 8.7% to average US\$6,394/t, with strong lifts for C1 to C3, all rising +10%.

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



DAIRY FUTURES

Futures positive – Futures trended up; CME Butter and NZX WMP jumped, while others saw modest rises. All prices quoted in US\$/t.

2-Mar	SMP	NDM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Apr-22	4,590	4,061	4,950	4,680	7,200	5,986
May-22	4,550	4,057	4,950	4,667	7,400	5,897
Jun-22	4,475	4,039	4,950	4,674	7,350	5,788
Jul-22	4,380	4,026	4,800	4,667	6,975	5,732
Aug-22	4,250	4,014	4,700	4,672	7,000	5,710
Sep-22	4,100	4,001	4,580	4,663	6,950	5,731
Change	2%	1%	4%	2%	1%	6%
Op interest	7,834	6,221	21,588	9,499	1,477	7,034

www.ausfine.com.au

Ausfine Foods International Pty Ltd ■ ABN 12 006 926 129

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T +61 3 9583 3588 ■ F +61 3 9583 4344 ■ E sales@ausfine.com.au

Suite 10, Level 4, 205 – 211 Forster Road, Mount Waverley VIC 3149 Melbourne, Australia