

AUSFINE LAUNCHES THE “AUSFINE MARKETPLACE”

We at Ausfine are excited to announce that we have expanded into the world of digital offerings with the launch of our new “AUSFINE MARKETPLACE” website. The AMP (we love an acronym) provides the ability for suppliers to post their spot parcels of Dairy and Meat products which will then be viewed by a deep data base of customers (which can be filtered by a number of categories) and the deal transacted on the platform. Moving forward, customers will also be able to post their demand requirements for suppliers to consider. We invite you all to jump on and have a look:

<https://altrufood.com/profile?uid=Ausfine-Foods-International>

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **What is going on with instant WMP on gDT?**
 - **Europe forgot to have Spring**
 - **US cheese pricing keeps softening – why?**
 - **Will China’s revision to child policy make a difference?**
1. An interesting anomaly is presenting itself in what is otherwise a continuation of very boring gDT events of late. The instant whole milk powder price continues to trade at a large discount to regular whole milk powder when typically the reverse should be true. So what is at play? One theory being floated is that China buys regular whole milk powder (typically) whereas the demand for instant whole milk powder is higher in other parts of the world, especially South East Asia and the Middle East. This indicates that we could be seeing the pricing differential of where the global market is compared to the premium being paid by China. If that is the case, then I’m sure that the majority of Kiwi dairy farmers would be sweating every time Jacinda Ardern is asked a question about her views on China. If it’s left up to the rest of the world that Fonterra’s opening milk price range of NZ\$7.25kgMS – NZ\$8.75kgMS is looking decidedly shaky.
 2. Speaking to some of our European friends over recent weeks and it seems that large swathes of Europe forgot that Spring should follow Winter. To add a bit of misery on top of the whole COVID thing, many Europeans shivered through a very cold / wet and dark Spring with temperatures far below average and rainfall far above. This meant that many parts of mainland Europe did not see their typical spring flush of milk as cows don’t really like it cold / wet and dark. So, the question now is whether Europe goes into a prolonged mild summer in which case the milk will stay at elevated levels or whether they go straight into a long hot summer and knock the milk flow around even more. The former scenario could see pricing easing as product becomes more readily available but the latter puts upward pricing pressure on an already hot market.
 3. The recent fall of US block cheddar cheese from US\$1.80s/lb to US\$1.50s/lb levels on CME has surprised many. Whilst a fall was not unexpected, the quantum was. When we ask our US

partners for their take on what is behind the fall, we get many & varied answers. Some point to strong milk growth / high inventories / end of the food box program for the trend to continue, while other points to high vaccine rates / US economy coming out for restrictions / strong 2nd half demand for a forecasted rebound. So that typically means with so many different views that the next move is very hard to predict. One thing is for sure, with US cheese now being by far the cheapest in the world as both Oceania & European cheddar sitting at a considerable premium the export market will be very interested in Uncle Sam’s finest cheese.

4. We’ve just seen the response from the Chinese government to the very grave predictions around the ageing population in China and plummeting birth rate (down 30% last year). They have announced that couples are now free to have up to 3 children. Upon the announcement we could hear infant formula spray dryers starting up in earnest around the world, but will it make the difference hoped for? Well, using the previous experience as a guide the response may be quite muted. When the single child policy was relaxed to allow for 2 children per couple many expected a baby boom but as we’ve seen it didn’t happen – the ‘official’ birth rate across China is only 1.6 and has declined every year since 1989, far below the replacement level of 2.1. Many pointed to the fact that it was now culturally acceptable that families only had one child and adapted accordingly, in addition there was the increasingly high cost of raising children in China and finally there is the space issue with many people living in small apartments in the cities and limited access to open space and parks that made it very difficult to add another one or two family members. Therefore, the jury may still be out on whether this move will have the desired outcome.

MATT COOPER – DIRECTOR

New CFO joins Ausfine

Shaun Love joined Ausfine in April 2021 as our CFO. Shaun is a qualified Chartered Accountant who brings extensive international and diverse industry experience having held executive finance roles in Australia and the USA. Shaun’s experience spans aviation, along with manufacturing, distribution and supply chain of explosives for mining activities and globally traded agricultural and industrial chemical commodities. Shaun’s strategic financial mindset and track record of delivering outstanding financial results made him the logical choice to guide the financial growth of Ausfine.



GLOBAL DAIRY MARKETS

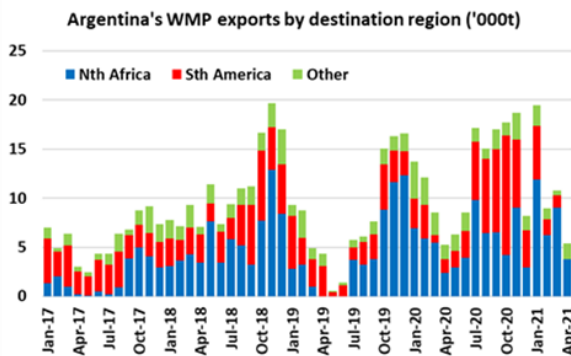
Ausfine Marketplace

To see all offers, click here: <http://bitly.ws/dKKg>

| | |
|--------------------------------------------------------------|-------------------------------|
| UNSALTED BUTTER Price: \$4900 per MT Volume: 200MT | CLOSES 21 hours ago |
| SMP MH Price: \$3530 per MT Volume: 50MT | CLOSES in a day |
| IWMP Price: \$4270 per MT Volume: 225MT | CLOSES in a day |

Argentina WMP exports at 12-mth low

At 5,369t, Argentina's WMP exports were at a 12-month low reflecting no shipments to Brazil for the month. That volume was still 2.3% higher in YOY terms. Growth in WMP exports has been patchy since Q4-2020 and aggregate shipments fell 3.2% in the last quarter, a difference of 840t. Overall, exports to Northern Africa (mostly Algeria) are still tracking higher, but with smaller YOY gains relative to the same period of 2020, reflecting higher prices.



EU dairy market balanced

The EU dairy market is reported as "balanced", with improving milk growth in key supplying countries. Gouda prices are stable to slightly lower, in line with that report. Latest Gouda quotes are in the €2,920-2,960/t, reflecting somewhat weaker retail sales and much higher output in anticipation of the upcoming boom in foodservice demand.

SMP (food) prices remain high with higher exports, and weaker output resulting in the tightest stocks in years – latest quotes are reported at €2,600/t. Butter prices are also firm, reflecting weaker local production – latest quotes are at €4,050/t. Cream is also higher, with quotes in the €4,950-5,050/t range, with seasonally higher demand in Sth Europe.

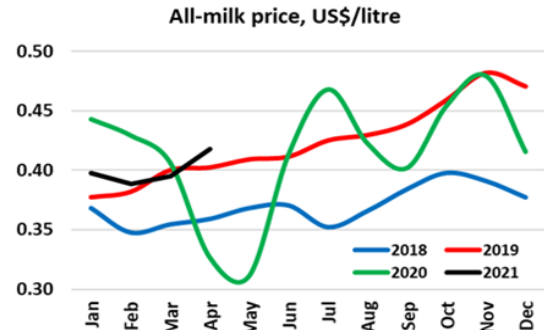
US milk prices increase in April

The all-milk price rose in April, according to USDA's latest Ag Prices report. The April all-milk price of US\$0.42/l was 27.8% higher in YOY terms, and 5.7% above March.

Average MPP farmgate margins rose 6.6% between March and April, reflecting higher Class III (+9.4%) and Class IV

(+8.7%) prices, and despite higher corn (+8.6%), soybean meal (+0.8%) and alfalfa hay (+3.3%) input costs.

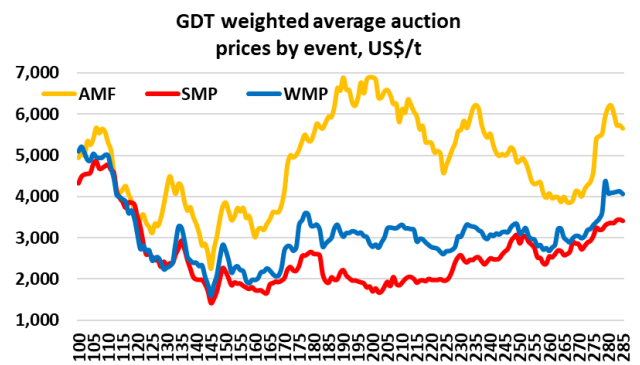
Based on latest CME futures, projected C6 MPP margins have been close to US\$20/cwt since mid-May – currently a healthy 20% gain on C1 margins but we still anticipate milk growth to slow in the second part of the year.



GDT: fats lose ground

The overall GDT index lost 0.9% at event 285 with declines recorded across most contracts.

SMP averaged US\$3,415/t, down 0.9% with mixed contracts. WMP fell 1.5% averaging US\$4,062/t with falls across most contracts, except C2. Fats lost ground; butter fell 4.8% to average US\$4,690/t and AMF fell 1.3%, averaging US\$5,654/t. Cheddar gained 0.1%, averaging US\$4,324/t, with product available for C4 to C6.



DAIRY FUTURES

Futures flat – Futures took a bit of breather, mostly flat. NZX WMP trended down. All prices quoted in US\$/t.

| | 2-Jun | SMP | NDM | WMP | Cheese | AMF | Butter |
|-------------|-------|-------|--------|--------|--------|-------|--------|
| Exchange | NZX | CME | NZX | CME | NZX | CME | |
| Jul-21 | 3,455 | 2,867 | 4,140 | 3,783 | 5,700 | 4,079 | |
| Aug-21 | 3,435 | 2,935 | 4,070 | 3,924 | 5,450 | 4,145 | |
| Sept-21 | 3,410 | 2,988 | 3,970 | 4,045 | 5,350 | 4,189 | |
| Oct-21 | 3,350 | 3,020 | 3,845 | 4,109 | 5,300 | 4,189 | |
| Nov-21 | 3,350 | 3,042 | 3,800 | 4,131 | 5,250 | 4,211 | |
| Dec-21 | 3,350 | 3,059 | 3,760 | 4,070 | 5,260 | 4,227 | |
| Change | 0% | 0% | -1% | 0% | 0% | 0% | |
| Op interest | 8,044 | 4,044 | 13,139 | 16,141 | 297 | 6,402 | |

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