

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **Are international customers turning away from US supply?**
- **Proteins run looks set to continue**
- **US Dairy expansion could be affected by these methane limits coming out of Glasgow**
- **China still subdued on gDT buying but Africa saying we want cheese!!**

1. The US dairy industry has been the standout performer over the last 5-10 years in securing new export markets. What were traditionally rusted on European or Oceania supply markets (mostly in Asia) were won over to the US side with good quality product combined with consistent availability and competitive pricing. European supply in comparison has been intermittent in its availability as it continues to have a "Europe first" mentality and the quantities available for exports fluctuate wildly from one period to the next, meanwhile Oceania export availability seems to be largely capped these days with minimal milk growth from either Australia (actually going backward) or New Zealand. So what happens when customers can no longer reliably get that US supply? The current shipping woes out of the US have resulted in many export customers waiting months for their shipments and for a lot of those customers it is not a sustainable situation resulting in a shift to other origins to mitigate supply risk. European pricing has led the way higher so that may not be the option and they have their own shipping issues to contend with (albeit not in the same ballpark as the US), so many customers are turning back to Oceania as it seems shipping from here, while still slow, does still ship close to schedule. So while it's product may be a lot more expensive, it is currently more reliable so customers are paying up. This will add to the already exploding issue of global food inflation and those rising prices we're seeing across the board on gDT recently.

2. There was an important trade show in Las Vegas last week – Supply Side West & Food Ingredients North America. While there was a distinct lack of international visitors as you would expect due to continued travel restrictions; it was still an upbeat show by all accounts and the standout conversations were all around dairy proteins and the outlook for 2022. After an amazing run up in prices across 2021, the question on everyone's lips was whether it would continue or start to slow as higher prices were passed on to consumers. Well, if the rhetoric coming from the show is anything to go by, the price pressure is remaining on the upside at least for the 1st part of 2022 with strong demand continuing and inventories low. The demand is being driven by the big format 1kg tubs of protein powder as people continue their lockdown routine of blending at home, combined with gyms reopening & Instagram photos that need to be taken, it would seem the pricing will remain firm for some time yet!

3. Remember a few editions back when we stated that US dairy expansion was the future of global milk supply as they were the only region that seemed to have the ability and the desire to keep growing year on year? Well, we may have a spanner in the works as global leaders meet in Glasgow to discuss dramatic emission reductions and one of the pertinent discussions relating to our world is methane emissions from livestock (read: Dairy Cows). The Biden administration is aiming to undertake big cuts, currently targeting a reduction in methane emissions by 30% by 2030 (baselining against 2020 levels). This likely rules out the possibility of rapid

national herd expansion to drive milk growth and instead relies on new technologies and increases in productivity per cow. Needless to say, that a lot of work needs to be done in our sector to ensure we stay current with the sustainable trend or consumer sentiment could turn quickly on the industry.

4. On the surface the gDT result last night was another strong data point in a steady firming in pricing across the board of the dairy complex. An overall jump of 4.3% was very strong with the standouts being cheese up by 14% and SMP by 6.6%. A couple of interesting points to fall out of the result though did catch the eye. The first was that the China buying in the WMP category fell back to 36%, down from over 50% in the event prior and back to a trend of the previous events that highlight some continued weakness in Chinese buying. For now, the slack is more than being offset by demand in other regions but with China demand being so critical in the long term; it is an interesting footnote. The other point of note was that the buying of Cheddar that underpinned that +14% result was out of Africa, not South East Asia as one would expect. In actual fact, the SEA cheese buy was quite weak but more than offset by African buying which has hit +50% for the last two events. This speaks volumes of lack of availability out of Europe which is where African customers would typically look for supply.

MATT COOPER – DIRECTOR

#WelcometoAusfine

🗨️ Welcome to the Ausfine Team, Zoe Campbell!

Zoe joined Ausfine in August 2021 as the newest member of our dairy export operations team. Zoe brings 15 years' experience in shipping operations in the commodities industry both in Melbourne and overseas, as well as recent logistics roles in the food processing business.

She graduated from Monash University with a bachelor's degree in International Trade and Management. She's proud of her work supporting effective supply chains across oceans and cultures. Zoe is looking forward to contributing her experience for anticipating operational issues and problem-solving skills for Ausfine Foods' customers.

⚡ Outside of work, you'll find Zoe spending time with her family and friends and chasing her two boys around at the beach.

Join us in welcoming Zoe to the Ausfine team!

#welcometotheteam #Ausfine #team #work #business #dairyindustry #meatindustry #logistics #beachlife #supplychain #internationaltrade



Ausfine Marketplace

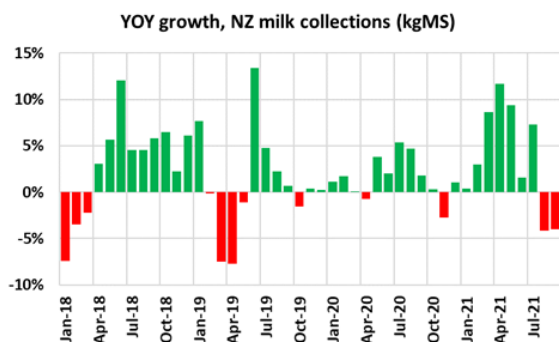
See more offers: <http://bitly.ws/foZe>

Salted Butter Price: \$6210 per MT Volume: 100MT	CLOSES in 7 days
WMP Price: \$4260 per MT Volume: 250MT	CLOSES in 7 days
WPC80 Price: \$13200 per MT Volume: 36MT	CLOSES in 7 days

September New Zealand milk drops

DCANZ reported New Zealand milk production dropped 4.0% YOY in milksolids terms in September and was down 4.4% in volume terms. Cold, wet weather, and low light levels slowed pasture growth. The NZX Pasture Growth Index shows pasture conditions as below normal in the 2nd half of September, which will also adversely impact October's milk production.

September is the second month of year on year milk contraction in New Zealand. Production is tracking 0.4% behind the season to date in milksolids and is 0.3% behind the five-year average.



US milk falling, mixed pricing trends

According to latest data from USDA, milk production expanded 0.2% in September – the smallest increase in 16 months following a revised 0.6% YOY growth in August.

With lower milk supplies, increasing number of dairy farms listed for sale due to low margins, and spot milk selling for as much as US\$1/cwt above Class in the Midwest last week, CME butter prices have increased to US\$4,365/t. Other factors driving this trend are early holiday orders by retailers and strong export market orders. NFDME CME prices have also been steadily increasing to US\$3,450/t, reflecting positive trends on the global market (EU and NZ) along with strong import demand from Mexico.

Cheese prices have sharply declined however, reflecting relatively high stocks-to-use for this time of the year. CME blocks are trading at US\$3,693/t, now only US\$33/t above

the latest barrel price. Overall, implied Class IV is now at a US\$2/cwt premium to Class III.

Dutch supplies continue to contract

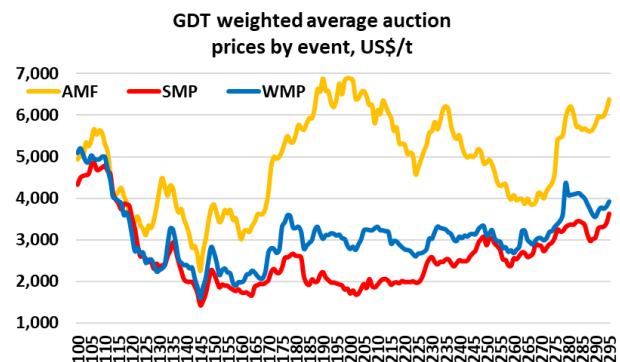
Dutch milk production declined 4.1% YOY in September according to Eurostat, the 10th consecutive monthly contraction. September production also declined in other smaller producing countries such as the Czech Republic, Slovakia, Finland and Malta. In contrast Irish supplies continued to surge, up 7.4% YOY in September increasing in every month since January 2020.

According to the most recent data, French milk production fell 1.9% YOY in week 41 (ending 17 October 2021), the ninth consecutive weekly contraction. German supply fell 2.6% YOY in week 41, the 21st consecutive weekly decline. AHDB reports UK production declined 0.6% YOY in the first 16 days of October after falling 0.4% YOY in September.

GDT index jumps

The GDT index rose 4.3% at Event 295, with gains across commodities.

Average prices were positive; WMP added 3.1% to average US\$3,921/t with increases across all contracts. SMP jumped 6.6% to average US\$3,627/t steep increases for near to medium term contracts. AMF averaged US\$6,384/t, up 3.8% while butter lifted 4.7% to average US\$5,350/t with significant lifts recorded for C4 to C6. Cheddar surged 14% to average US\$5,058/t.



DAIRY FUTURES

Futures mixed – NZX SMP and CME NDM trended up. Fats mixed: NZX AMF were flat and CME butter rose. All prices quoted in US\$/t.

	SMP	NDM	WMP	Cheese	AMF	Butter
3-Nov						
Exchange	NZX	CME	NZX	CME	NZX	CME
Dec-21	3,590	3,373	3,965	3,880	6,005	4,270
Jan-22	3,959	3,395	3,975	3,926	3,010	4,161
Feb-22	3,600	3,379	3,965	3,946	6,020	4,161
Mar-22	3,600	3,348	3,975	3,968	5,950	4,271
Apr-22	3,610	3,296	3,925	3,962	5,920	4,255
May-22	3,610	3,284	3,950	3,957	6,100	4,293
Change	1%	3%	0%	-1%	0%	1%
Op interest	7,765	5,237	18,847	10,105	1,574	4,434

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