

## FROM THE TRADING FLOOR

### KEY MARKET DRIVERS

- **Oops they (Fonterra) did it again**
- **SEA in & out of lockdown smashes demand outlook, now China also!**
- **Just when you thought shipping couldn't get worse**
- **NZ looks primed for strong start to Spring**

1. To steal a phrase from the great prophet Britney; "Oops they did it again!". In this instance, "they" are Fonterra, and "it" was removing a further 20,000MT of WMP over the next 12 months from the gDT auction and the "again" was another fall (3.8%) in WMP pricing despite the volume reduction. A running tally shows that over the last month Fonterra have removed a total of 40,000MT of WMP from future gDT auctions, yet WMP has not had a positive result on the gDT since 18th May 2021. The real head scratcher though, is that the reason cited for the removal was once again "...extremely strong contracting for Whole Milk Powder over the next six months outside of gDT...", which is fair enough but it begs the question, what price are they really contracting this strong demand at? A reasonable question considering strong demand for a product usually indicates that the price goes up doesn't it? (I could be wrong, I did snooze through a lot of economics lectures). Another question is "if demand is so strong, why wouldn't Fonterra keep the volume on gDT to increase price on its primary price setting mechanism?" Only Fonterra really know but one could be forgiven for thinking that they have been managing a falling commodity and managing it quite well... I mean, imagine how far prices could have actually fallen if that 40,000MT was kept on the gDT! In all seriousness though, if we are all to rely on gDT as a reliable price discovery mechanism (as it is touted) we need to have some credible transparency from the major player on it, otherwise not only gDT participants but all buyers of NZ Dairy Products will quickly lose even more confidence in the platform as a source of trustworthy market pricing and information.
2. This Delta variant of COVID 19 is playing havoc throughout the world but particularly in our backyard of South East Asia (SEA). Our friends in these markets are doing it extremely hard with the virus running rampant, straining already overburdened medical infrastructure and causing immeasurable grief for many families. Not only is this leading to regular lockdowns for cities including Jakarta, Bangkok, Ho Chi Minh City, etc... but over the last few days we've learned that Delta is now running hard in China also. For SEA, this is severely impacting the demand picture once again for dairy products destined for the food service segment, now that China is joining the ranks again the situation could get even gloomier. Just when we thought there was light at the end of the tunnel, unfortunately it was the on-coming Delta express.
3. Somewhat related to the previous point, we are not seeing too much light in the space of shipping and in some cases, it may

get worse before it gets better. A recent example is the major UK port of Felixstowe. For background, after a fantastic job of the vaccine roll out the UK has now declared "no more lockdowns" and instead relying on "pinging" (via mobile alerts) those that are close exposures to COVID cases and mandating that they isolate. With the Delta variant running rampant there a lot of people being pinged and one area in particular being pinged are the workforce of Felixstowe port, so much so that they are having to run well below capacity as a result (with few workers available). On top of a logistics chain that is already at breaking point, that's all we need, more slowdowns in the shipping ports of the world. No doubt if it's happening in one port then it's happening in others.

4. On a brighter note, a quick look at NZ climate maps shows a good coverage of high soil moisture readings. As we know, New Zealand are reliant on weather and pasture growth for their dairy production and as we near the all-important Spring flush this becomes even more critical. So good soil moisture indicates a good lead into Spring (as long as it's not too wet) and combined with higher milk through winter and a strong forecasted payout we could expect to see very strong milk production through Spring for our Tasman neighbours.

**MATT COOPER – DIRECTOR**

## Ausfine's biggest morning tea 2021

Last Thursday 15th before we headed into another lockdown the staff of Ausfine were lucky enough to get together to support one of our most courageous employee's Jenny Brinsden who is fighting her second battle with cancer. Ausfine has contributed to the cancer council investing more than A\$20 million each year into crucial cancer research, looking for the latest breakthrough in treatment and detection. These efforts have recently seen Victoria's cancer survival rate increase to 69% - an amazing achievement. We are proud to of raised \$2000 through raffles and donations from our Ausfine team members and friends that will be used to really make a difference in the fight to cure and prevent this disease.

We thank all our team members for their amazing baking skills and generosity to a cause close to our hearts as we support Jenny through her journey and everyone who is affected by cancer .



# GLOBAL DAIRY MARKETS

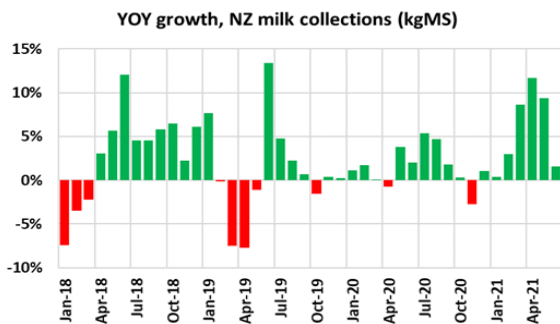
## Ausfine Marketplace

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

<b>SMP MH</b> Price: \$3180 per MT Volume: 300MT	CLOSES <b>5 hours ago</b>
<b>Mozzarella</b> Price: \$4050 per MT Volume: 100MT	CLOSES <b>in 19 hours</b>
<b>Frozen Cream - 69%</b> Price: \$5300 per MT Volume: 100MT	CLOSES <b>in 2 days</b>

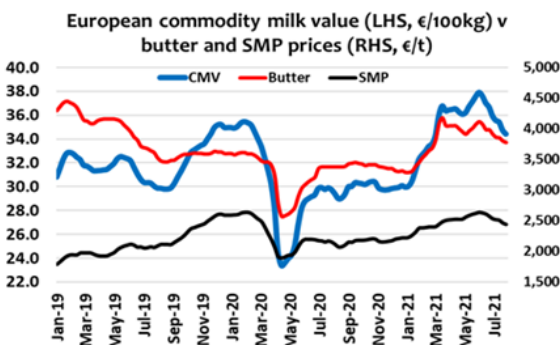
## Small lift in NZ June production

Milk production lifted 1.6% YOY in June on a milksolids basis and 1.8% YOY on a tonnage basis in what is the seasonally lowest month of production. June production remains 19.3% ahead of the 5-year average for New Zealand.



## EU commodities trend down

Recent commodity prices for SMP and butter continue to trend lower. Since the start of June, butter prices have corrected, with German butter selling for €3,900/t, down €100/t since the beginning of July. Butter from the Netherlands was priced at €3,750/t last week, down €170/t since 3 July. SMP prices have also declined since the beginning of July, with German SMP valued at €2,475/t and SMP from the Netherlands at €2,410/t.



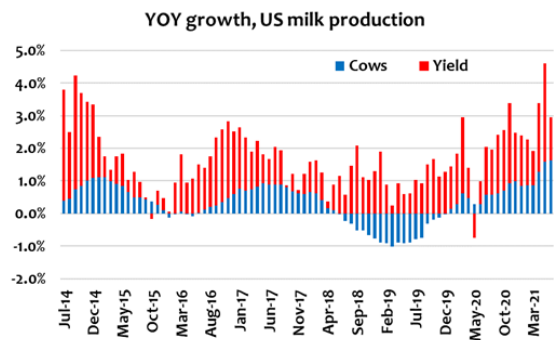
## China's imports continue to surge

Chinese dairy imports were again exceptionally strong in June. WMP imports rose 84% YOY in June and were 29% higher for the year to date, despite average shipped prices for NZ-origin product increasing to US\$3,737/t. SMP imports

have tracked generally higher since September last year, increasing 47% YOY in June and 47% between January and June. Total SMP average CIF import prices rose to US\$3,258/t in June. Cheese imports rose 18.4% YOY for the month to 14,757t, and have expanded in the last eight months and imports of butter also surged sharply, up 80% YOY in June.

## US milk production up 2.9% in June

Milk production expanded 2.9% in June according to the USDA. That followed 4.7% YOY growth in May. The milking herd finally declined, by just 1,000 head compared to the prior month to 9,508m. While down on the multi-decade high reached in May this was still 153,000 head higher YOY. The YOY growth in average yield per cow for June was 1.3%, a 3-month low. June was the thirteenth consecutive month of expansion in US milk output.



## NZ exports mixed in June

New Zealand exports of major dairy products were mixed in June, with positive trends for milk powders, cheese, butter and dry whey, but negative trends in other smaller categories including AMF, IMF, lactose, MPC, milk & cream.

WMP exports increased 45% YOY to 159,532t, following a 22% YOY lift in May. June WMP shipments to China & HK continued to grow, rising 144% YOY and reflecting strong buying on the GDT platform despite relatively higher prices since the start of the year. Shipments to SE Asia increased 15% YOY in June, while Middle East sales rose 17% YOY. SMP exports had a slow start to the year, before increasing YOY in both May and June.

## DAIRY FUTURES

**Powders gain** – CME butter and cheese lost ground, while powders all trended up. All prices quoted in US\$/t.

4-Aug	SMP	NDM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Sept-21	3,150	2,786	3,790	3,583	5,490	3,583
Oct-21	3,150	2,805	3,740	3,748	5,425	3,623
Nov-21	3,170	2,836	3,720	3,935	5,375	3,681
Dec-21	3,180	2,842	3,705	3,935	5,375	3,704
Jan-22	3,180	2,899	3,690	3,876	5,375	3,737
Feb-22	3,210	2,916	3,655	3,869	5,330	3,776
Change	3%	2%	1%	-2%	1%	-1%
Op interest	6,805	4,281	19,415	15,129	1,145	5,973

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

Ausfine Foods International Pty Ltd ■ ABN 12 006 926 129

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