

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **Fonterra continues the pull back to home, For Sale sign out for Fonterra Australia**
- **Cali ports...Let's not ask if it could get worse, I'm not sure we want to know**
- **Where did all the Dai gou? Infant sector suffering**
- **Euro market is hot hot hot**

1. After the long tenure of Theo Spierings as CEO of Fonterra NZ came to an end in early 2018 there was a definite drive by the new exec team to pivot away from Theo's quest for global dairy domination via ever growing milk. Understanding that NZ milk expansion would soon hit its ceiling Theo had instigated a program of asset acquisition and investment in milk pools around the globe including China & South America. However, after the cost of those investments and the muted returns were fully realised (culminating in Fonterra's first ever losses in 2018 & 2019) the decision was made, "it's expensive out there...we're coming home!!". Ever since Fonterra have been divesting their international assets, but there is one remaining – Fonterra Australia. Will there be the fortitude to complete the full return home and get out of Australia as well? It appears we now have our answer, and the answer is a resounding YES. Messaging from Auckland is that they are preparing for an IPO on the ASX. However that could prove to be a messy outcome if Fonterra NZ remains a significant shareholder, albeit in a publicly traded company, with some conflicting goals with their operations in NZ so it may be a soft launch of hanging the "For Sale" shingle out the front with a definite date for approaches. The question is who is in the position to come knocking?
2. Remember a while back when we posted an interesting YouTube vid showing the congestion problem at the port of Los Angeles? The link is here: <https://bit.ly/3uJldxm>. At the time, there were 43 vessels waiting to birth into the port - how many is typical? Zero to 1. At the time it felt almost like shipping Armageddon but as it turns out that was soooo 5 months ago and seems like quainter times. Now the vessel number waiting for a Los Angeles or Long Beach port birth is 73!! (and counting). The problem is not confined to L.A., it is right up and down the western US seaboard but seems to be most acute in L.A. and the ripple effect is hitting those other ports; and in actual fact all US ports, as importers / exporters scramble for alternatives. Let's hope this is as bad as it gets; the reasons are increased imports for the upcoming festive season of Halloween / Thanksgiving and Christmas which should abate as we get closer to those holidays. Let's not ask the question "could it get worse?" I don't think any of us want to know the answer!
3. Those familiar with the Daigou shopping system will understand it's importance as a trade lane into China, particularly in the world of cosmetics, vitamins and most importantly in our dairy world – infant formula. It was common here in Australia and New Zealand to see shelves stripped bare of infant formula cans that were destined to be sent to China to assure concerned shoppers that the product was genuine. So, what happens when there is a Pandemic and there are no Chinese tourists or students in

in Australia / NZ to make the buys any longer? Demand dramatically slows and then combined with a falling Chinese birth rate and a drive for more domestic infant production in China and that results in a glut of infant formula. For a lot of newly minted infant producers here in Oceania that has meant a quick recalibration in strategy and in many cases a move away from further infant production and back to commodities. The question will be now that the Dai-gou will they ever be Dai-back? (boom boom).

4. We touched on the falling EU milk production in the last Dairy Planet edition, and it seems we're now seeing the effect with ever-firming pricing across the board for EU dairy products. Powders, fats, and cheeses of all types have increased quite dramatically over the last 4-8 weeks. This is typically a period of lower milk production anyway so that will be exacerbating the problem. We can only assume that with EU now out of pandemic restrictions and entering what will be a busy Christmas period that the trend is likely to continue and therefore put more pressure on global pricing.

MATT COOPER – DIRECTOR

EOFY Awards 2021

On Thursday 9th September Ausfine celebrated the inaugural End Of Financial Year Awards.

Due to Melbourne's ongoing lockdown we decided to pivot this event to a virtual event which included "The big buzz" hosted by @hiddendoors experiences and cocktails, wine and dinner gift packs. Our Awards encourages the team to observe and celebrate contributions by their peers and continue to embed the values into the organisation. It recognises individuals and group efforts that reflect the Ausfine values.

The winners in our categories for 2021 were:

Category	Winner
We Learn	Kate Wardle
Fast & Efficient	Ozlem Malaeb
Create solutions that add value	Andrew Ishii
Deal is a Deal	Helen Feng
We Care	Janine Berg

With a special mention to @Yana, @Isabelle and @Tom Our overall worthy winner on the night of "The Don Scarlett Award" was @Melissa Malatesta who goes above and beyond in her role with Ausfine.

Congratulations to all the Ausfine Team!



Ausfine Marketplace

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

CHEDDAR Price: \$4430 per MT Volume: 150MT	CLOSES in 6 days
WMP Price: \$4110 per MT Volume: 100MT	CLOSES in 7 days
SMP MH Price: \$3540 per MT Volume: 200MT	CLOSES in 7 days

NZ milk down 4% in August

Milk output plunged in August, down 4.2% YOY on a solids basis, taking season to date output 1.8% behind the prior season. The fall in August production was unexpected due to reasonable pasture growth conditions during the month.

According to NZX, milk production falls are likely due to feed constraints in the North Island during the previous peak grass growing season, which affected mating performance. Farmers have reported lower than expected calving. Pasture conditions have recently fallen below average across New Zealand, but are anticipated to rapidly improve into October.

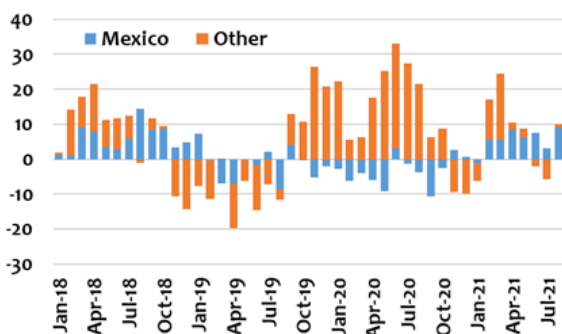
US August exports surge

Despite continuing port congestion, US dairy exports increased for the seventh consecutive month in August. In MSE terms, August trade was 13% ahead of the prior year comparable, with total value up 26% reflecting the impact of tighter global market conditions on pricing.

At 36,572t, cheese exports were 18.1% higher in YOY terms, reflecting stronger sales into Mexico and Latin America. Despite US cheese exports generally falling seasonally in the second half of the year, July and August this year have significantly diverged from the usual pattern.

NFDM/SMP exports were 78,908t, up 15.4% YOY in August. Powder exports rose more than 40% YOY (or 9,488t) to Mexico. Whey product exports rose 9.2% YOY to 54,571t in August, with dry whey increasing 7.7% for the month and accounting for 88% of total volume.

US SMP exports YOY growth ('000t)



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EU commodity values hit highs

European commodity values are on an upward trajectory with gains recorded across commodities since late July. German butter values lifted to €4,300/t, up €50/t from the week prior and €500/t since end of July. The Netherlands have also recorded increasing butter values, up €70/t to €4,280/t in the past week and up €490/t since the last week of July. SMP values have seen a similar trajectory in both Germany and the Netherlands, with German values lifting €285/t since the end of July to the current €2,760/t. Dutch SMP rose €300/t for the period to €2,710/t.

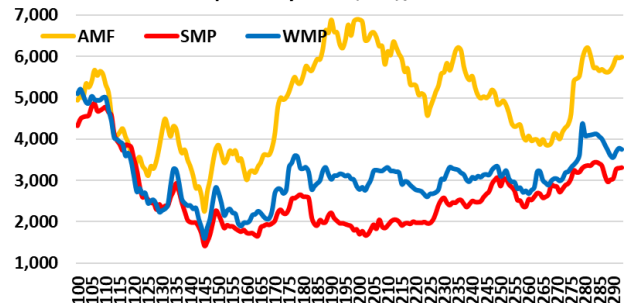
Official July Eurostat figures show milk production declined 1.9% in France and 1.2% in Germany with worsening trends due to poor grass quality. EU-27 July milk deliveries are expected to be down 0.5% YOY and solids output to fall 1% as average protein and fat content in milk has fallen close to 2019 levels since the end of 1H-21.

GDT continues to rise

The GDT index was flat at GDT Event 293, halting the positive trends at the three previous events.

Average prices were positive across most commodities, except for WMP, which fell 0.7% to average US\$3,749/t. SMP rose 0.4% to average US\$3,315/t with falls recorded for contracts with long-term delivery. Fats gained with butter rising 0.4% to average US\$4,878/t with larger gains for C1 and C2. AMF lifted 0.4% to average US\$5,984/t. Cheddar gained 0.5% to average US\$4,297/t.

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



DAIRY FUTURES

Futures rise – Powders and cheese futures gained. Fats were mixed; AMF was flat while butter lost ground. All prices quoted in US\$/t.

6-Oct	SMP	NDM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Nov-21	3,400	3,075	3,865	4,057	5,925	3,870
Dec-21	3,410	3,107	3,850	3,951	5,900	3,903
Jan-22	3,440	3,118	3,860	3,887	5,850	3,816
Feb-22	3,420	3,106	3,860	3,896	5,800	3,816
Mar-22	3,445	3,101	3,860	3,924	5,800	3,972
Apr-22	3,445	3,089	3,860	3,929	5,720	4,007
Change	2%	3%	3%	3%	0%	-1%
Op interest	7,135	4,651	21,499	11,985	1,795	4,405