

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **EU- no milk / no product / no power (maybe a little exaggeration..)**
- **Shanghai in lockdown, just another day in the new world**
- **Port of L.A. definitely seeing some light between those vessels out there**
- **Massive increase on Instant WMP caused by Sunflowers?**

1. There seems to be an almost palpable fear among many dairy manufacturers in the EU of what the next few months could bring as the ramifications of the Russian invasion of Ukraine play out and combined with what is already a big issue in regard to falling milk production. The threat to power supply seems to be the biggest concern, only marginally ahead of the increasing cost of said power, which is like asking what is worse than massively increasing cost of power? ... no power at all! With the majority of EU gas supply coming from Russia; the threat is real with some manufacturers even considering alternate power sources, such as diesel, to run the energy hungry spray dryers even at massive cost. Combined with huge jumps in shipping costs out of the EU and there is little wonder that it is increasingly difficult to get offers on EU product right now for export and prices are gapping daily as a result.
2. As a sign of the times we currently live in, it is incredible to think that China's largest city is in lockdown and it is almost considered to be just another news story on people's feeds. Two years ago, that would've been enormous market moving news with daily updates but with the current state of affairs it is still of interest but certainly not all consuming as most dairy participants grapple with their own inflation, supply disruption, shipping constrains, cash flow impacts etc. Certainly, the shutdowns in China will of course be having big impacts on demand and in our world it seems that there is a shift in Chinese milk away from fresh production and into milk powders which may go some way to explaining the drop of 1.5% in WMP on gDT Tuesday night.
3. If there is one silver lining for US exporters to that China situation, it is that the number of vessels coming into the USA from China has slowed dramatically on the back of port closures / go-slows and factory shutdowns in China. This reduction in vessel numbers has meant that we have finally seen a reprieve in the number of container ships sitting at anchor off the port of Los Angeles. Down from approx. 110 vessels in December / January down to a current 35 as of yesterday morning. This allows some breathing room for US exporters to finally get product shipped. We're not sure how long the window will remain open as the ships will surely start again when the Chinese situation improves plus there are the looming negotiations with the longshoremen union hanging over our heads but for now there is an itty-bitty slice of light there and now is the time to take advantage.

4. Did anyone else notice that Instant whole milk powder eclipsed the price of Regular whole milk powder by US\$1400 – US\$3000/MT on the gDT event this week (30% – 70% higher)? That incredible result highlights the issue around lecithin supply globally as a direct result once again from the Russian invasion of Ukraine. Ukraine and Russia are responsible for over 70% of sunflower oil to the world which is often used in many lecithin types as an “instantizing” agent for many dairy powders. Russia has outright banned the export of sunflower oil, and big question marks remain over any Ag product coming out of the Ukraine at the current time for obvious reasons, war zones are typically not conducive to reliable supply of anything other than misery. Just another challenge to put on the pile in our crazy dairy world at the moment.

MATT COOPER – DIRECTOR

Ausfine helps Vinnie's Kitchen

Since 2017, Ausfine has teamed up with Vinnie's Kitchen to help bring good dairy nutrition to communities in need. Vinnie's Kitchen does an amazing job with a focus on feeding the homeless community on the Mornington Peninsula. Vinnie's had previously faced a challenge in reliably securing donations of dairy products and were often having to spend valuable funds purchasing from retail stores. Ausfine have stepped in and organized for donations of Cheddar and Mozzarella to be sent to a company called Gen – U. Gen-U have an outreach program where they teach intellectually disabled people cooking & culinary skills. The donated cheese is then prepped by Gen-U for on-supply to Vinnie's Kitchen. Now that's what we call a Win-Win outcome.

By working with our suppliers and supply chain partners we hope to help similar, smaller food charities and thereby help the most vulnerable in our community. There is currently 105,000 people homeless in Australia which is a very upsetting statistic when considering the resources we have in this country, every little bit helps.

There is one common belief as Australians, you always help a mate if you can. If you would like to know more about the program or be involved, please contact sarah@ausfine.com



GLOBAL DAIRY MARKETS

Ausfine Marketplace

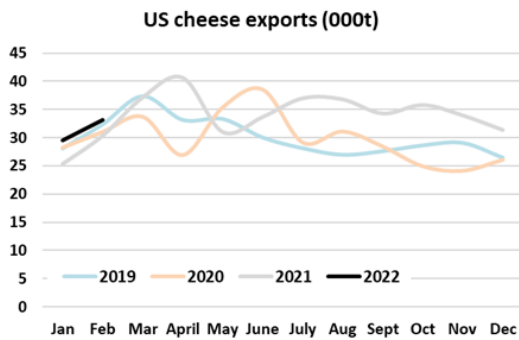
See more offers: <http://bitly.ws/foZe>

| | |
|---|---------------------|
| Unsalted Butter Price: \$6550 per MT Volume: 150MT | CLOSES in 7 days |
| Cheddar Cheese Price: \$6980 per MT Volume: 80MT | CLOSES in 7 days |
| Cream Cheese Price: \$4650 per MT Volume: 100MT | CLOSES in 6 days |

US exports mixed in February

SMP/NFDM shipments were down 11.3% YOY to 63,644t in February. An 82% YOY increase in exports to China & HK and strong growth in sales to Japan and South Korea weren't enough to offset a 12% drop in shipments to SE Asia for the month. Exports to Mexico were also down 5% YOY.

Cheese exports rose 9.2% YOY in February with sales to key markets Mexico increasing 5% YOY and Sth Korea up 4%. Sales to Japan and SE Asia were up strongly, by 29% and 59% respectively. Dry whey sales continued to weaken, falling 5% YOY for the month to 43,651t as sales to major market China & HK dropped 24%. That offset a 38% YOY increase in dry whey sales to SE Asia in February. Lactose exports rose 14.4% YOY with strong growth in sales to China & HK, Japan and the Middle East more than offsetting falling reduced shipments to SE Asia and Oceania.



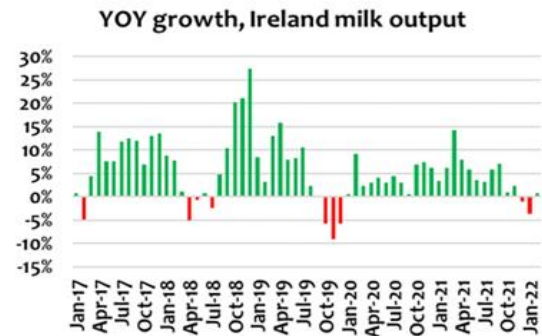
Mixed EU milk growth in February

There were mixed production trends among member countries based on our analysis of reported Eurostat data. Dutch supplies were down 1.5% YOY, which was the smallest contraction in 9 months, but the solids content is also falling. After falling YOY in both December 2021 and January 2022, Irish supplies rose 0.8% YOY in February.

Among other countries, February milk production also increased in Belgium, the Czech Republic, Hungary, Latvia, Lithuania, Slovakia and Slovenia.

According to the most recent data, French milk production fell 0.6% YOY in week 11 this year (ending 19 March 2022), the fifth consecutive weekly contraction. German supply fell

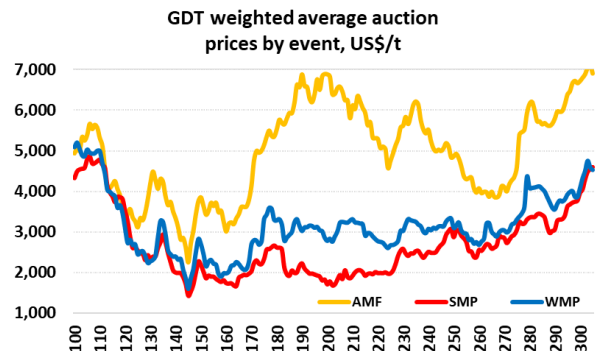
1.9% YOY in week 11, the 43rd consecutive weekly decline. AHDB reports UK production declined 3.5% YOY in the first 19 days of March after falling 2.6% YOY in February.



GDT index loses ground

The GDT index fell 1.0% at Event 305, weighed down by WMP.

WMP fell 1.4% on average to US\$4,532/t and would have been worse but there was another strong lift in instant prices. SMP lifted 1.2% on average to US\$4,599/t, the 17th increase in this amazing rally. There were mixed changes for later shipments. Butterfat prices were weaker on softer demand, as butter dropped 1.0% on average to US\$6,891/t, but changes were mixed. AMF dropped 2.9% to average US\$6,908/t with better results for contracts with later delivery. Cheddar prices again went up slightly on average to US\$6,472/t as the changes were mixed but all favourable, with stronger gains for earlier periods.



DAIRY FUTURES

Futures mixed – NZX AMF was hammered; CME butter and NDM both gained. All prices quoted in US\$/t.

| | SMP | NDM | WMP | Cheese | AMF | Butter |
|-------------|-------|-------|--------|--------|-------|--------|
| Exchange | NZX | CME | NZX | CME | NZX | CME |
| May-22 | 4,600 | 4,015 | 4,475 | 5,159 | 6,770 | 6,052 |
| Jun-22 | 4,600 | 4,048 | 4,550 | 5,146 | 6,400 | 5,986 |
| Jul-22 | 4,575 | 4,080 | 4,550 | 5,181 | 6,385 | 5,908 |
| Aug-22 | 4,450 | 4,090 | 4,500 | 5,185 | 6,375 | 5,897 |
| Sep-22 | 4,425 | 4,072 | 4,425 | 5,150 | 6,310 | 5,875 |
| Oct-22 | 4,375 | 4,029 | 4,350 | 5,137 | 6,490 | 5,820 |
| Change | -1% | 1% | -2% | -5% | -5% | 2% |
| Op interest | 8,681 | 5,873 | 25,714 | 10,277 | 2,329 | 7,407 |

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