

FROM THE TRADING FLOOR

KEY MARKET DRIVERS

- **Shipping issues spread to the EU, kind of like a certain pandemic**
- **US milk now down, that's 3 out of the big 3 down**
- **The reasons are mixed but the results are the same, costs are up – Canada**
- **China buying still subdued!**

1. Just like Old Mate COVID, it seems that no area in the world is immune to the global shipping issues. Going back a few months the rhetoric was that US reliability was shot but shipping out of the EU was OK. Of course, there were still delays, especially once shipments hit transshipment ports, but compared to the US experience it was a dream. Fast forward to now and that seems to be a distant memory. Shipping out of the EU has become increasingly challenging and also expensive!! We've seen rates double in some instances (particularly 40' reefer rates) and then it's a maybe as to whether there will be equipment available. We can only surmise that the reason behind this deterioration is that many export customers had switched their focus to EU supply on the back of that perceived better reliability in delivery. Having said all that; the EU is still not in the same situation as the US, after all there are not 98 vessels sitting off the coast of Rotterdam waiting to berth (like L.A.) but the gap has narrowed.
2. What happened USA? You were our bright spot; you were the one market that was showing the rest of the world how to grow milk. Whilst Oceania, Europe and South America were going backwards on milk you were chugging along impressively at 1-2% YoY growth. Now it seems you're just like the rest of us. Yep, US milk is now also in reverse (down 0.5% overall in October) on the back of high input costs and poor weather, particularly in the western part of the USA. Whilst Wisconsin was the bright spot in October (the latest month we have data for) growing at 3%, the problem is getting that resulting product to the rest of the country, internal US freight rates remain very high. So, the big question is what price for milk does it need to reach to promote more growth? We have historically high milk prices in Australia & New Zealand and consistent strong pricing in Europe but none of that seems to be promoting growth. Is there a price point that will see the milk pool grow or are we at a point where there is a fundamental movement out of the industry at play?
3. Interesting to chat with some Canadian friends during the week and they were lamenting about the internal cost of moving freight from Vancouver to the East Coast of Canada. Rates have tripled recently. You would naturally think it is due to the same reason as the US, driver and equipment shortage, but the actual reason was torrential rain on the West Coast of Canada

causing road closures with only a small number of road options available to move product East so once they go down the show stops. Again highlighting the reliance we have in many regions on very limited options in our logistics chains, in Canada it is one or two roads available to move product East, in the US it's the port of Los Angeles carrying the bulk of US imports.

4. Just to finish on and we've spoken about this before, but still very interesting to see that China buying was again subdued on gDT last night. WMP demand is back down into the 30% range. With that falling global milk production, we were expecting China to come back to the market to ensure coverage going into 2022 but it certainly didn't happen last night. It makes you think, is it a case of when they come back in a big way or are those internal issues we're hearing about a lot more influential that we realise? As another side note from gDT last night, interesting to see EU buying 11% of WMP available, speaks volumes about product availability and pricing in Europe at the moment.

MATT COOPER – DIRECTOR

#Ausfine Pizza Day 2021

Finally, with covid restrictions easing, we were able to hold our first monthly Pizza Day for 2021 at Ausfine Foods.

With our cheese partners Leprino donating the mozzarella, all the staff rolled up their sleeves and built the biggest pizza they could fit in the oven.

This event was a great way to get our team together again after such a crazy 2 years and enjoy something that Ausfine love supporting:

PIZZA!!



Ausfine Marketplace

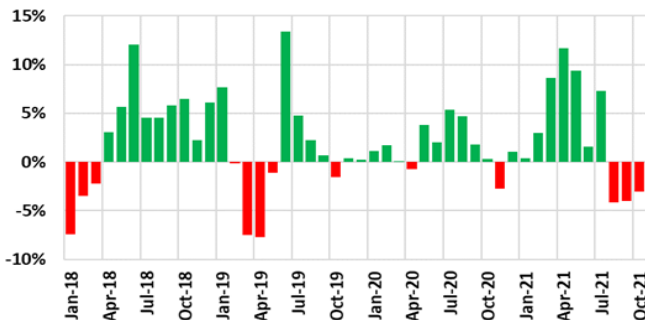
See more offers: <http://bitly.ws/foZe>

Cream Cheese Price: \$4220 per MT Volume: 50MT	CLOSES in 7 days
Cheddar Cheese Price: \$4680 per MT Volume: 150MT	CLOSES in 6 days
Unsalted Butter Price: \$6850 per MT Volume: 100MT	CLOSES in 5 days

NZ milk output falls again in October

According to DCANZ milk production fell 3.1% YOY in milksolids terms in October and 3.3% in volume terms. October marks the third consecutive month of declining milk output in New Zealand, with 2021/22 October peak production the lowest since 2017/18. Season to date NZ production is 3.1% behind the prior year comparable in milksolids terms and 3.4% behind the comparable in volume terms.

YOY growth, NZ milk collections (kgMS)



US exports mixed

There was a mixed report on October dairy exports from the US, with a slowing in SMP/NFDM and surge in cheese trade. SMP trade was just short of 67,000t, the lowest monthly tonnage since January 2021, and 13% below a year ago, indicating some lingering shipping difficulties to some regions.

Cheese exports didn't meet any freight barriers and were 43% higher in the month, totalling 35,770t which is close to the average of monthly shipments since March 2021 – a period of elevated exports given the lower prices of US product and the renewed demand from Mexico.

Dry whey trade was 12% down for the month, but again the monthly tonnage of 45,684t is close to the average since August 2020, since when US monthly exports have been in a band between 42,000t and 52,000t. WPC80 exports posted the first monthly decline for the year, but have seen several

months of strong improvements since April and are 5% ahead for the year to date.

Butter exports were 4,463t, 90% higher than a year ago, but in the past 6 months were 11% higher than 2020.

EU September milk down 0.6%

EU-27 supplies fell 0.6% YOY in September, based on analysis of data reported by Eurostat and AGEA. The overall YOY decline was despite a 7.4% expansion in Ireland, which was more than offset by declines in Germany (-2.4% YOY), France (-2.4% YOY), and the Netherlands (-4.1% YOY).

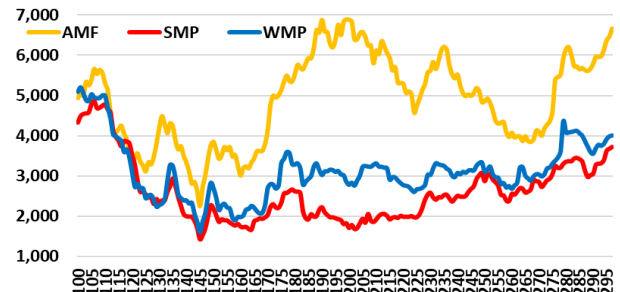
According to the most recent data, French milk production fell 3% YOY in week 46 (ending 20 November 2021), the 14th consecutive weekly contraction. German supply fell 3% YOY in week 45, the 25th consecutive weekly decline. AHDB reports UK production declined 1.8% YOY in the first 19 days of November after falling 0.6% YOY in October.

The GDT index rise again

The GDT index rose 1.4% at Event 297, milk surges in fats and milk powders.

WMP added 0.5% to average US\$4,008/t with increases across most contracts except a slight dip recorded for C4. SMP rose 1.2% to average US\$3,721/t with a significant lift recorded in C5. AMF averaged US\$6,668/t, up 3.0% while butter lifted 4.6% to average US\$5,791/t with consistent gains across contracts. Cheddar rose 1.1% to average US\$5,220/t with mixed contracts; a heavy fall (-4.1%) recorded for C1 and a large hike in C6 (+12.3%).

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



DAIRY FUTURES

Futures trend up – Fats gained significantly alongside with CME NDM. NZX SMP was steady. All prices quoted in US\$/t.

8-Dec	SMP	NDM	WMP	Cheese	AMF	Butter
Exchange	NZX	CME	NZX	CME	NZX	CME
Jan-22	3,825	3,450	4,245	4,101	6,725	4,475
Feb-22	3,805	3,472	4,250	4,140	6,750	4,497
Mar-22	3,820	3,461	4,250	4,140	6,750	4,575
Apr-22	3,820	3,450	4,260	4,112	6,725	4,596
May-22	3,830	3,412	4,250	4,123	6,700	4,597
Jun-22	3,800	3,406	4,160	4,142	6,650	4,630
Change	0%	5%	1%	4%	5%	5%
Op interest	7,769	5,584	17,082	11,533	1,231	4,893

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