

Real Pet Food



17th December, 2021



CPI Summary

- Key commodities have seen substantial increases – particularly Wheat, Proteins & Tinplate
- Freight increases have also seen unprecedented increases
- RPF new list price is effective 7/2/21

Freight Pressures

Strong global retail demand and imbalances in container distribution will keep exerting pressure on ocean shipping

- Despite best efforts to restore normalcy by carriers disruptions will continue to be on the menu for 2022.
- High rates and low reliability will challenge the market over the 6 to 12 months. Extra capacity will be effective only if the container distribution problem is under control.
- As the global food trade managed to stay strong during the pandemic, increasing volumes will add further imbalances.
- On a positive note values have eased from the September highs but still remain at record levels from a year on year perspective.



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Protein Pressures - Beef

- The Australian herd is anticipated to be 27.8 million head in 2022 and will reach 28.6 million head in 2023.
- Fuelling the quicker herd growth is lower than expected slaughter volumes in 2021 and 2022. For 2021 cattle slaughter is expected to be 6 million head, which will be the lowest slaughter levels in 36 years. Slaughter in 2022 is also revised down with the MLA forecasting 6.65 million head expected to be processed in 2022.
- The beef processor margin model shows average monthly margins sliding from a loss per head of \$357 in September to a loss of nearly \$433 in October, the worst monthly margin on record since early 2000.
- It is likely we will start to see some rationalization of the sector into 2022 as it looks to be a while before beef processing will get back to a more positive margin outcome.

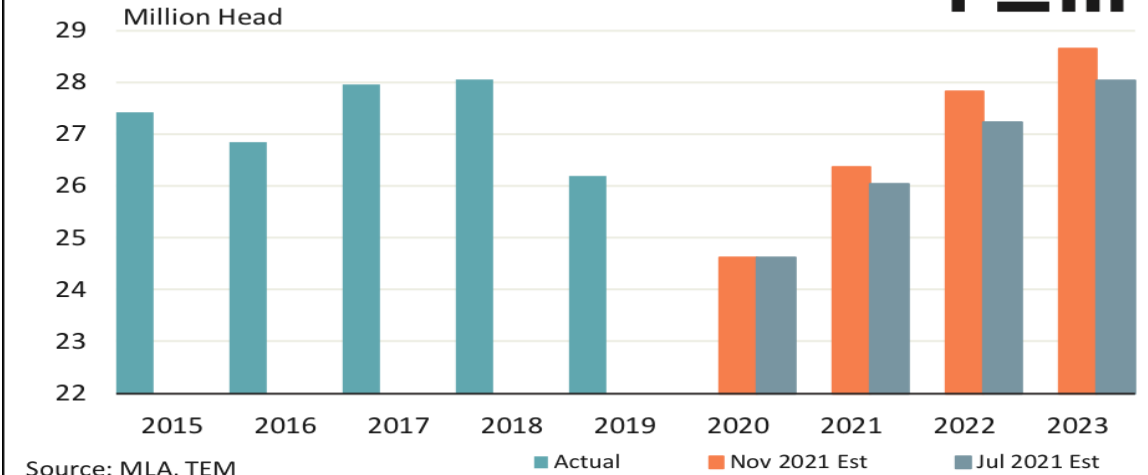
National • I EYCI (¢/kg cwt)

View as a **GRAPH** **TABLE**

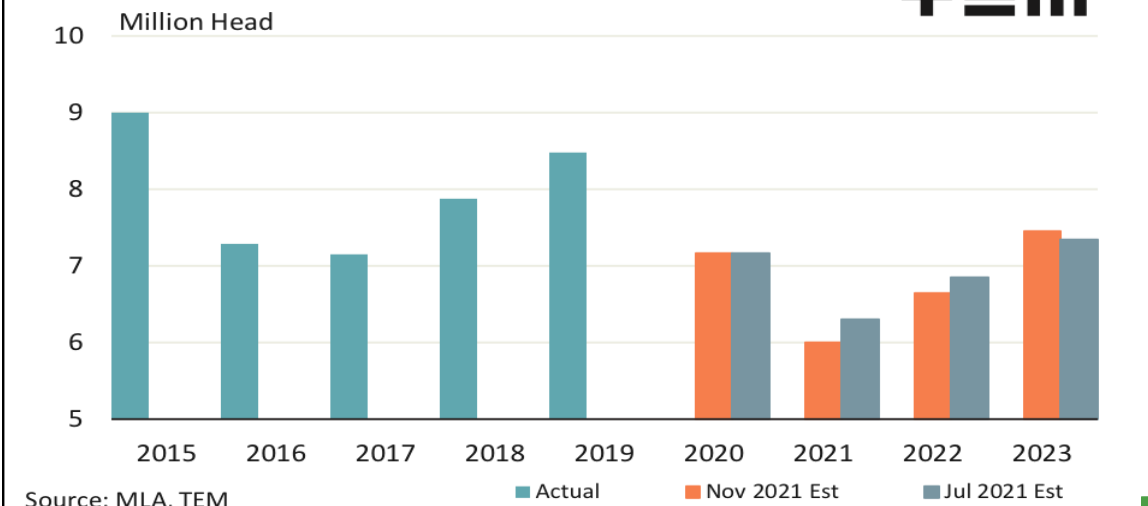
Over **3M** **6M** **1Y** **2Y** **3Y**



Cattle Herd Estimates



Cattle Slaughter Estimates



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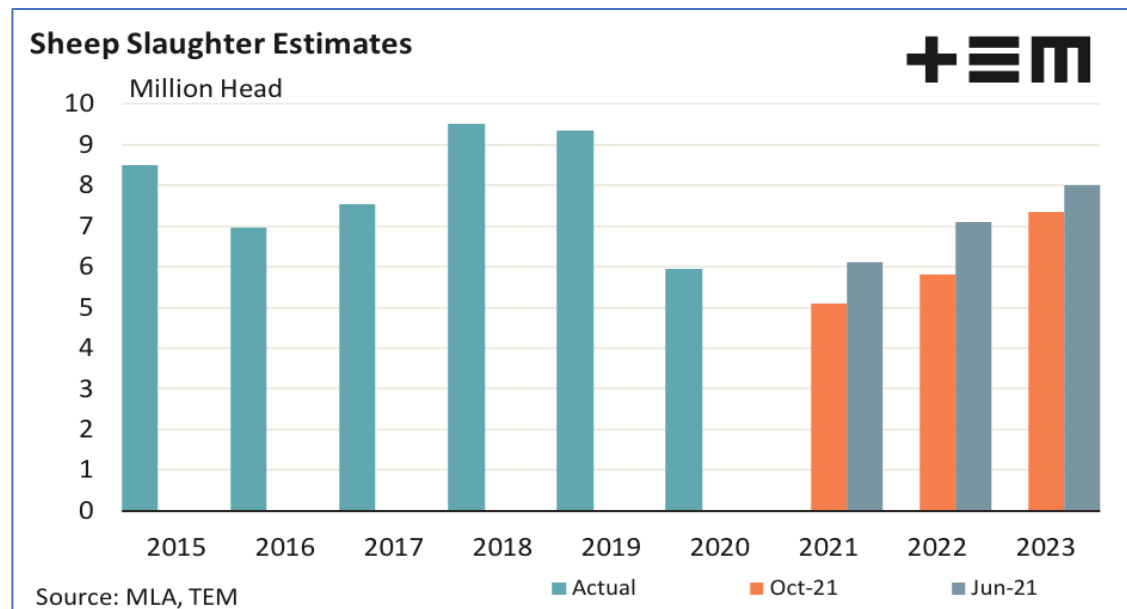
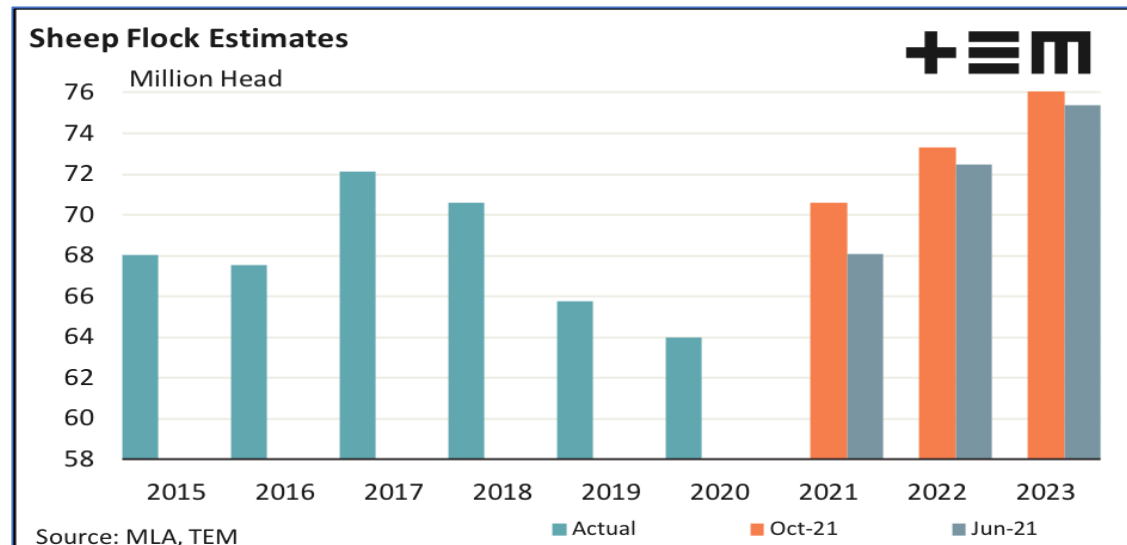
Protein Pressures - Sheep

- The MLA have called the national sheep flock at 70.6 million head for 2021, while they are predicting the flock to be at 73.3 million head in 2022 and 76.2 million head by 2023.
- Lamb slaughter for 2021 is now expected to be 20.55 million head, up 1.2%. While lamb slaughter projections have lifted there has been a solid reduction in sheep slaughter estimates from MLA for the 2021 season and continuing through to 2023. MLA now expect sheep slaughter to come in at 5.1 million head for 2021 and are forecasting slaughters in 2022 to be only marginal better.
- Favorable seasons and high prices will encourage producers to hold lambs longer or until restocking efforts have increased. Its very unusual to see such low numbers currently for this time of year and we are feeling it with lamb offal's.

National • I Heavy Lamb (¢/kg cwt)

View as a **GRAPH** TABLE

Over **3M** 6M 1Y 2Y **3Y**

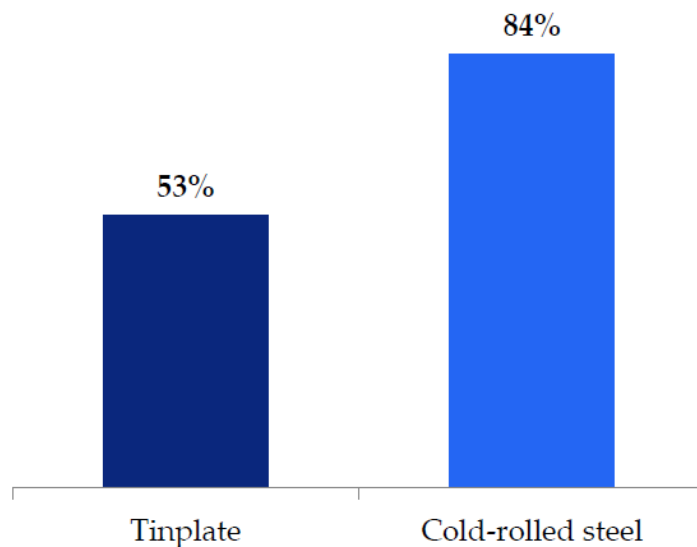


Oct Estimates are forecasting for lower sheep slaughters

Tinplate Pressure

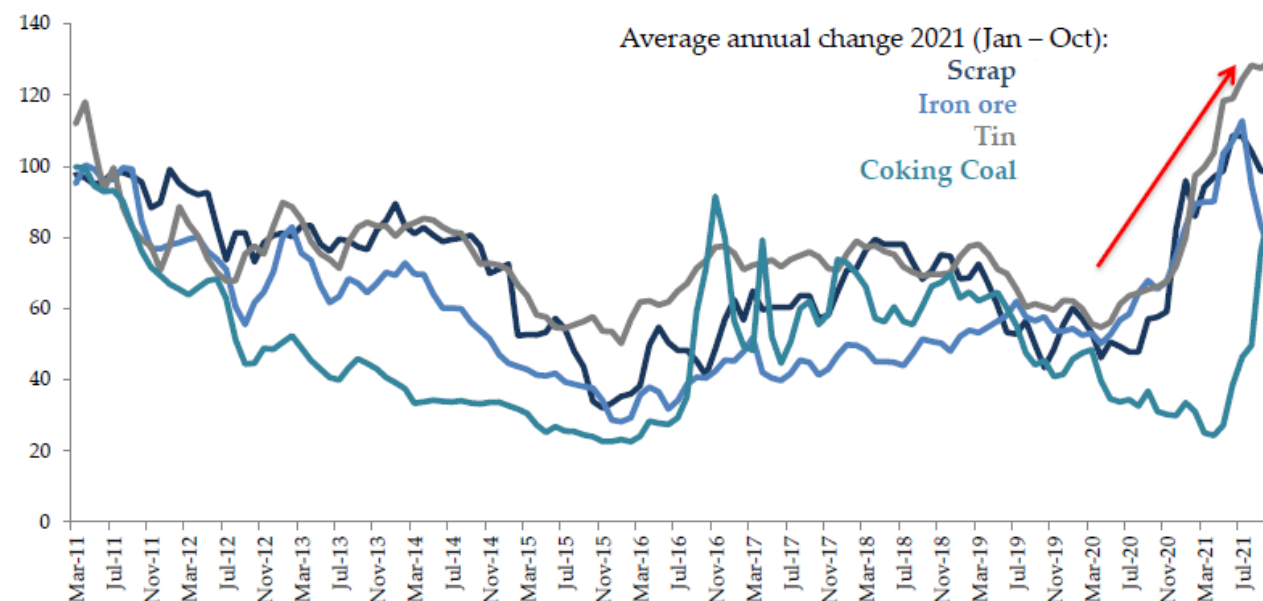
Global Tinplate demand has outstripped supply creating shortages and increased pricing adjustments outside of input cost movements. Freight constraints are also contributing to cost pressures.

Tinplate¹ vs. cold rolled steel prices in 2021
(world's average annual change, January – July)



- Tinplate generally follows the Cold-rolled steel pricing. There is currently a delta on the annual change, strongly indicated further price pressure on Tinplate.

Raw Material Price Dynamics (index Jan 2011 = 100)



- All the indicators on main raw material inputs have risen to 10 year peaks