World Dairy Situation

IDF SC DPE, Paris

April 11, 2013
Current dairy situation

- Dairy production progressed in 2012 in supplying regions but is now stabilizing, even declining in some countries
- Export demand remained strong
- Market prices have been rebounding since mid-2012
- Major problem for farmers is high production costs
World dairy production
(all categories included)

Geographic breakdown of world milk production in 2012 (millions of tonnes)

Europe 219
29%
EU-27 159
Russia 32
Ukraine 11
Belarus 7

Asia 282
37%
India 132
China 45
Pakistan 33
Turkey 17

Africa 39
5%
Soudan 8
Egypte 6
Kenya 4

Central America 17
2%
Mexico 11

S. America 71
9%
Brazil 33
Argentina 12
Colombia 8

N. America 99
13%
United States 90
Canada 8

Oceania 29
4%
New Zealand 20
Australia 9

World total: 760 million tonnes

FAO Food Outlook November 2012, IDF-DCANZ for NZ
Asia still biggest provider of milk output increase

Evolution of dairy production (all categories included) 2007 to 2012

World total: + 84 million tonnes

Europe + 6 Mt
Asia + 44 Mt
Africa + 8 Mt
North & Central America + 6 Mt
South America + 15 Mt
Oceania + 4 Mt

CNIEL / IDF, FAO Food Outlook
Mt: million tonnes
Growth dynamics across the world

Annual growth rate of milk production between 2007 and 2012 (%)

- China: +2.6%
- India: +4.2%
- Australia: -0.2%
- Japan: -1.0%
- New Zealand: +4.5%
- Mexico: -1.5%
- Argentina: +4.1%
- Brazil: +3.9%
- USA: +1.4%
- Canada: +0.2%
- EU: +0.9%
- Russia: -0.1%
- China: +2.6%
- India: +4.2%
- Australia: -0.2%
- New Zealand: +4.5%

World average: +2.4%
Growth dynamics in main dairy producing countries (1/2)

USA

+ 1.7% / year

EU 25, 27

+ 0.9% / year

Pakistan

+ 1.3% / year

- 4.3% / year

+ 3.6% / year

New Zealand

+ 4.9% / year
Growth dynamics in main dairy producing countries – rolling 12 month basis

USA

EU 27

New Zealand

Japan

Russia

Argentina

Australia

NB : deliveries in Europe and Japan
CNIEL / USDA, ZMB, PZ, Alimentos argentinos, DCANZ, Dairy Australia
Production by the major suppliers in 2012

Recent production tendencies among major suppliers of the world market

United States
Production
12 months 2012: + 1.8%

Australia
Production
12 months 2012: + 2.3%

EU - 27
Deliveries
12 months 2012: + 0.6%

Argentina
Deliveries*
12 months 2012: + 0.8%

New Zealand
Deliveries
12 months 2012: + 8.1%

* Survey of 20 dairy plants representing 2/3 of deliveries
CNIEL / USDA, Dairy Australia, Commission, Alimentos argentinos, ZMB
Geographical variations of dairy product consumption

Apparent dairy product consumption levels in 2012 (kg per capita)

<table>
<thead>
<tr>
<th>Country</th>
<th>Consumption (kg per capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>38</td>
</tr>
<tr>
<td>India</td>
<td>105</td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
</tr>
<tr>
<td>Japan</td>
<td>71</td>
</tr>
<tr>
<td>Philippines</td>
<td>10</td>
</tr>
<tr>
<td>Iran</td>
<td>90</td>
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<tr>
<td>Algeria</td>
<td>153</td>
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<tr>
<td>Mexico</td>
<td>108</td>
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<tr>
<td>Argentina</td>
<td>237</td>
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<tr>
<td>Brazil</td>
<td>173</td>
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<tr>
<td>USA</td>
<td>276</td>
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<tr>
<td>Canada</td>
<td>242</td>
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<tr>
<td>EU</td>
<td>287</td>
</tr>
<tr>
<td>Russia</td>
<td>245</td>
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<tr>
<td>Austria</td>
<td>267</td>
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<td>France</td>
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<td>Germany</td>
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<td>Spain</td>
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<td>Italy</td>
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<tr>
<td>Switzerland</td>
<td>287</td>
</tr>
<tr>
<td>Russia</td>
<td>245</td>
</tr>
</tbody>
</table>

World average: 108 kg/capita

CNIEL / IDF, FAO Food Outlook, PRB
Geographical variations of dairy product consumption

Apparent per capita consumption (kg – in milk equivalent)

<table>
<thead>
<tr>
<th>Region</th>
<th>2006</th>
<th>2012</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>101</td>
<td>108</td>
<td>+7</td>
</tr>
<tr>
<td>Asia</td>
<td>61</td>
<td>71</td>
<td>+16</td>
</tr>
<tr>
<td>Africa</td>
<td>42</td>
<td>48</td>
<td>+14</td>
</tr>
<tr>
<td>Latin America</td>
<td>129</td>
<td>151</td>
<td>+17</td>
</tr>
<tr>
<td>Russia + Ukraine + Belarus</td>
<td>253</td>
<td>255</td>
<td>+1</td>
</tr>
<tr>
<td>EU + North America + Australia + New Zealand</td>
<td>290</td>
<td>284</td>
<td>-2</td>
</tr>
</tbody>
</table>
Demand is sustained on main markets

Recent import tendencies on substantial markets

United States
Imports 12 months 2012
Cheese: +8%
Caseins: -3%

Brazil
Imports 12 months 2012
WMP: +29%
Cheese: -29%

Russia
Imports* 12 months 2012
Butter: -8%
Cheese: +7%

Japan
Imports 12 months 2012
Cheese: +9%

China
Imports 12 months 2012
SMP: +29%
WMP: +27%
Whey: +10%

Algeria
Import 11 months in 2012
SMP: -12%
WMP: -8%

*Russian imports do not account for volumes originating from Belarus
NB: Evolution of imports based on volume
CNIEL / Ubifrance, national customs
Presence on the world market

Recent export tendencies among major suppliers of the world market

**United States**
Exports: 12 months in 2012
- Skim milk powder: +2%
- Cheese: +16%

**Argentina**
Exports: 12 months 2012
- Whole milk powder: -1%
- Cheese: -10%

**EU - 27**
Exports: 11 months in 2012
- Skim milk powder: +5%
- Whole milk powder: stable
- Butter: +12%
- Cheese: +14%
- Whey: +10%

**New Zealand**
Exports: 12 months in 2012
- Skim milk powder: +9%
- Whole milk powder: +15%
- Butter: +8%
- Butter oil: +33%
- Cheese: +25%

**Australia**
Exports: 12 months 2012
- Skim milk powder: +21%
- Whole milk powder: -3%
- Cheese: stable

NB: Evolution of exports on a volume basis
CNIEL / USDA, Dairy Australia, Commission, ZMB, Ubifrance, national customs
World market prices booming

FOB price in Oceania US$ 1,000 / tonne up until March 2013

BUTTER

SMP

WMP

CHEDDAR CHEESE

CNIEL / USDA
Farmgate milk prices throughout the world...

CNIEL, ZMB, PZ, USDA, LTO
NB: fat and protein content references differ from one country to another.
...Absorbed by high input prices

- **Soya meal**
  - Brazil FOB
  - 45-46% proteins
  - USD / tonne

- **Feed wheat**
  - Market price - European average
  - € / tonne

- **Fodder maize**
  - Market price – European average
  - € / tonne

- **Brent crude oil**
  - Spot FOB
  - USD / baril

Data sources: Eurostat, USDA, CLAL
Slow down of supply likely to keep market under pressure

High levels of exports throughout 2012 for major suppliers – stocks declining

Very good market perspectives for months to come

But profitability of dairying still at stake due to high input prices

A risk of milk and dairy product shortage for 2013-2014?
Thank you for your attention