

PERSPECTIVE

JUNE 2016

The latest insights in global dairy markets

Your regular global overview of the dairy industry along with trends in milk production, commodity prices and dairy trade.

Welcome to the NEW Perspective!

We're excited to bring you our new and improved "Perspective". Based on your feedback, we've made a number of improvements to make the content easier to read and digest.

While maintaining our regular trends and forecast information, we've added some extra features, which are outlined below.

We have a few more exciting changes in the pipeline as we continue to develop Perspective as a valuable source of content and insights for you. If you have any suggestions or feedback, please talk with your account manager.

Kind regards,
The Perspective team

Key changes

Interactive buttons

To help you more easily navigate Perspective, you can now click through to information you are interested in. This feature can be found in:

- 'In this issue' (contents page): click on an icon to jump to the section that you want to read.
- Market at a glance: click through to the data behind this global summary.
- Global imports/production/exports summary pages: click through to the appendix to view detailed commentary and graphs.
- You can also click on the arrow in the top right corner of each page to return directly to the 'In this issue' page.

Market at a glance

We understand that your time is precious. If you don't have time to read all of the detail, our 'Global overview' (and the summary page that goes with it) should allow you to understand the key movements in the market very quickly. If you want more detailed data, simply click through to the appendix.

Imports/production/exports graphs

The graphs in the imports/production/exports pages now share the same scale within each section to make for easier comparisons.

These graphs now also show both year-on-year (YOY) and moving annual total (MAT) data, so you can compare results from a single month (compared to the previous year) against average results in the previous 12 month period.

Details on how to interpret the graphs can be found in the glossary.

Monthly commentary

Sometimes getting a little 'perspective' requires considering things from others' point of view. Going forward, we will regularly feature an article written by an external commentator with expertise in the dairy industry. If there are topics of interest to you, please let us know your suggestions.

In this issue



Market at a glance



Global overview



Global indicators



Guest feature column



Updates from other commentators



Global imports



Global production



Global exports



Commodity prices



Appendix



Glossary





To view more detail –

CLICK ON ONE OF
THE BOXES BELOW

HEALTHY DEMAND WAS SEEN FROM CHINA, THE REST OF ASIA AND LATIN AMERICA, WITH PRODUCTION EASING IN MOST REGIONS EXCEPT EUROPEAN UNION

Middle East & Africa

– 2%

Global Imports

Russia

– 35%

Global Imports

China

+18%

Global Imports

Asia (excluding China)

+7%

Global Imports

Latin America

+12%

Global Imports



European Union

+4%

Global Production

+11%

Global Exports

Australia

– 1%

Global Production

+6%

Global Exports

New Zealand

– 1%

Global Production

+3%

Global Exports

United States

+1%

Global Production

– 6%

Global Exports



Imports

China dairy imports increased 9% (15,000 MT) in April compared to the same month last year, with a significant increase seen in fluid and fresh dairy, up 80% (27,000 MT). Asia (excluding China) dairy import volumes increased 9% in February compared to the same month the previous year. Increases of over 5% were seen across each of the major dairy categories. Middle East and Africa dairy imports decreased -11% in February compared to the same month the previous year. This result was largely due to powders, with WMP down -32% and SMP down -31%. Latin America dairy import volumes increased 20% in February compared to the same month the previous year. Increases were seen across all major dairy categories, excluding fluid and fresh dairy, which decreased -7%.

Source: Eurolait, Informa Economics, Rabobank, USDA, Dairy Australia, EU commission forecasts.



Prices

The GDT Price Index remained unchanged at the conclusion of TE 166 (15 June), following a rise of +3.4% at TE 165 (1 June). TE 166 saw 23,089 MT sold to 114 winning bidders. Future markets raised predictions for milk powders (SMP and WMP), however forecasts for butter and cheese remain somewhat mixed.



Production

Despite local milk prices declining, EU production in March increased 7% compared to the same month last year, and was up 4% for the 12 months to March compared to the same period the previous year. Total New Zealand milk production decreased -3% in April compared to the same month last year. In New Zealand, volumes reduce at this time of year as farmers dry off before winter, however generally favourable conditions have supported late season production. US production in April increased 1% compared to the same month last year, and for the 12 months to April was also up 1% compared to the same period the previous year. Australian production in April decreased -3% compared to the same month last year, impacted by dry conditions across many dairying regions. Production for the 12 months to April decreased 1% compared to the same period the previous year.



Exports

EU dairy exports increased 16% in February compared to the same month the previous year, adjusting for the additional day in February 2016. Total New Zealand dairy exports in April increased 13% compared to the same month last year, with exports increasing across all the major exporting products, excluding SMP and cheese. US dairy exports in March were down -22% compared to the same month last year, with decreases seen across all major dairy categories. Australia dairy exports in March increased 2% compared to the same month last year, driven by fluid and fresh dairy, up 21%. This was the only major product to increase compared to the same month last year.



Economic

Composite leading indicators

continue to point to stable growth momentum in the OECD, particularly for Canada and the Euro area (including Germany and France). Stable growth is now also expected in Japan, with similar signs emerging in the US. In the UK and in Italy, the CLIs continue to point to easing growth. In emerging economies positive change in growth momentum is confirmed for Brazil and Russia. Signs point to stable growth momentum in China and firming growth in India.

Source: OECD



Global dairy supply and demand

Supply growth out of the EU has started to weaken, with latest April numbers down on prior years for a number of key markets (including France and Ireland), while the US continues to increase. The aggregate supply is now back above 5.5 billion litres for the 12 months to February 2016. On the demand side, global dairy trade growth has picked up to around 3.8% for the 12 months to January 2016, but growth remains below the five year average of 5.3%.

Source: Global Dairy Intelligence Group
Supply and Demand model



Weather

El Nino is predicted to become neutral in the next few months, with a 75% chance of La Nina by the northern hemisphere fall/early winter. Heavy rain, dryness and cold in various parts of the US are impacting crop planting, which could reduce feed availability for herds. Late season storms in California are improving water supply prospects. Europe experienced near to above normal rainfall and good conditions. Whilst Australia continued to be unusually dry and hot, good rainfall in late May has brought New Zealand soil moisture levels back to normal.

Source: Qualitative assessment; [NIWA](#); Dairy Australia



Food commodities

[FAO Food Price Index](#) was 155.8 in May, up +2.1% from April, but -7% below May 2015. The Dairy Price Index reached 128.0 in May. During the second half of May, improved internal prices within the EU and sustained international demand caused quotations for WMP and butter to rise – cheese from Oceania also rose. Conversely, international quotations for SMP remained close to the EU intervention price.

Source: FAO



Dairy prices

The GDT Price Index remained unchanged at the conclusion of Trading Event 166 on 15 June. Future markets raised predictions for milk powders (SMP and WMP), however forecasts for butter and cheese remain somewhat mixed.

Source: GDT



Consumer

The 2016 GDP growth forecast was slightly reduced to +2.2%. An upgrade to China's growth forecast to +6.7% has been offset by a minor downgrade to Japan to +0.5% and elsewhere. The global growth forecast will average +2.5% over the medium term. The upward revision to China's forecast reflects improvements driven by stimulus, rapid credit expansion and rising property prices. However, this entails a further build-up of leverage in China's fragile financial system. The outlook for emerging markets is poor, impacting trade in Latin America, the Middle East and Sub-Saharan Africa.

Source: Economist Intelligence Unit





Eric Hansen Director, Global Dairy Trade

Eric's career spans more than 25 years in the public and private sectors, with senior roles in central banking, government ministry of finance, economics consulting, venture capital, wholesale electricity market, and the dairy industry. Eric co-led the design and implementation of Global Dairy Trade in 2008 and continues to spearhead the market and business development of the platform.

The future of B2B trade is online. Digital platforms are becoming increasingly important for all types of trade – and dairy is no exception. Global Dairy Trade, the world's leading dairy trading platform, recently expanded its role in online trading and digital services with the launch of GDT Marketplace.

The new online trading platform directly connects buyers and sellers, facilitating the trade of any dairy product, at any time, in any quantity. Operating 24/7, GDT Marketplace offers flexibility, immediacy and privacy to complement the scale and transparency of Global Dairy Trade's existing platform, GDT Events.

This month Fonterra became the first seller on GDT Marketplace with over 80 listings of cream, cheese, powders, protein, lactose and whey products offered under its NZMP brand. Both fixed price and closed tender listings are offered.

"GDT Marketplace is being rolled out progressively across market regions to build a portfolio of supply sources for a broad range of high quality dairy products that in the long run will significantly expand the quantity of dairy traded online", said Eric Hansen, Director of Global Dairy Trade.

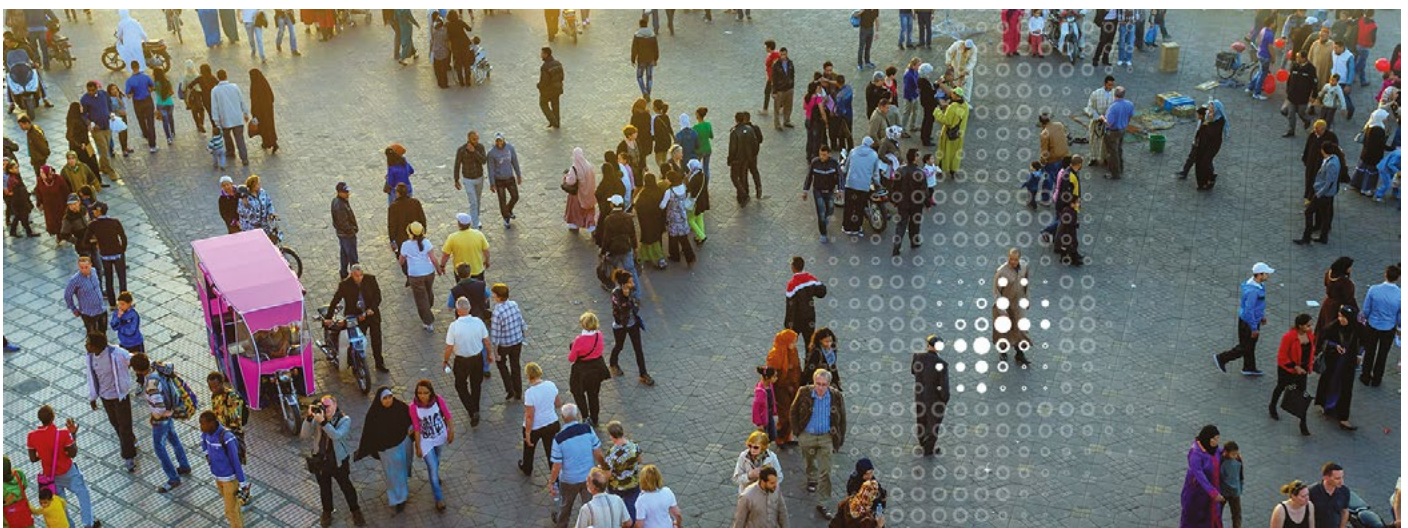
"We are in discussions with a number of global dairy suppliers who are attracted to the convenience of trading dairy on demand without the minimum quantity constraints required for the GDT Events platform. Each seller on GDT Marketplace has access to all existing registered buyers and during the initial roll out phase they

will also invite their customers, both international and domestic, to register and purchase via GDT Marketplace" he said.

Eric has been with Global Dairy Trade since its inception. He co-led the design and implementation of Global Dairy Trade in 2008 and continues to spearhead the market and business development of the platform. "The market is constantly evolving and we need to ensure Global Dairy Trade continues to lead the way in supporting the online trade of dairy and providing more choice to our customers. GDT is now well positioned as a digitally driven multiservice business, offering a strong suite of complementary services that will deliver benefits to dairy buyers, sellers and the financial dairy trading sector."

Serving the market's need for credible, transparent price discovery remains a core purpose for Global Dairy Trade. Mr Hansen noted that GDT Events remains the best venue for trading large quantities of standard dairy products, and that GDT Marketplace was a natural progression to complement this platform.

To view the GDT Marketplace video and find out more about the new service or register your interest go to
<http://www.globaldairytrade.info/en/gdt-marketplace/>





USDA, Dairy Outlook

May 2016

Recent developments:

- Since the beginning of the year, milk production has been growing at an increasing rate. In January, daily milk production was only +0.2% over January 2015. The YOY increase grew to +1.0 % in February and +1.8% in March, reaching 594 million pounds per day. Production per cow averaged 1,974 pounds for March, +32 pounds above March 2015. Milk cows numbered 9.325 million head, +14k head more than March 2015, and 10k head more than February 2016.
- Imports remained high in March, especially for butterfat products, cheese, and milk protein products. For the first quarter, imports on a milk-fat milk-equivalent basis were 2.146 billion pounds, the highest level since the second quarter of 2004.
- Exports on a milk-fat basis fell by -17 million pounds from February to March, while exports on a skim-solids basis declined by -6 million pounds. Exports of cheese and butterfat products have been higher than expected despite high domestic prices compared to foreign export prices. Butter and cheese stocks continued to remain well above previous-year levels, with March ending stocks higher than the previous year by +32.1% (butter) and +11.4% (cheese). Non fat dry milk (NDM) ending stocks for March were -7.5% lower than the previous year.

Dairy Forecasts for 2016

- Milk production forecasts have been raised to 212.4 billion pounds for 2016, an increase of +0.6 billion pounds from last month's forecast. The 2016 forecast for milk cows is 9.320 million head, 10k more than forecast last month. Milk per cow has been raised to 22,795 pounds per head, 40 pounds more than forecast last month.
- Forecasts for 2016 imports have been raised by +0.2 billion pounds on both the milk-fat and skim-solids bases. With higher expected exports of cheese and butterfat products, commercial exports are expected to rise by +0.5 billion pounds on a milk-fat basis. On a skim-solids basis, the forecast is unchanged.

Dairy Forecasts for 2017

- A summary of market conditions for 2015 and 2016 provides context for our 2017 forecasts. In 2015 and the first few months of 2016, dairy prices have been significantly below 2014 levels, and are expected to remain relatively low for the rest of the year. Prices of major competitors, the EU and Oceania, have generally been even lower. The low world prices are the result of large global supplies and relatively weak demand abroad. Low input prices for feed and fuel have encouraged growth in the US milk supply.
- A positive shift in domestic demand for products with high milk-fat content has supported US butter and cheese prices at levels higher than overseas competitors. Under highly competitive conditions, U.S. exports have been lower than in 2014. Imports have been higher, although somewhat limited by tariff rate quotas. Global demand for dairy is expected to strengthen in 2017. Global milk may grow at a slower rate, but continued low feed prices are expected to encourage U.S. milk production. The gaps between domestic and foreign prices for butter and cheese should narrow. These changes are expected to support an increase in exports and a decrease in imports. The rate of growth for domestic demand is expected to decrease.
- YOY exports for 2017 are forecast to rise by +0.2 billion pounds on a milk-fat basis and +1.4 billion pounds on a skim-solids basis. Imports are expected to fall by -0.7 billion pounds on a milk-fat basis and 0.2 billion pounds on a skim-solids basis.



Blimling, Forecast Update

June 2016

- Europe is producing plenty of powder. The second round of SMP intervention reached its 109,000 MT ceiling on May 24 just six weeks after it opened. Currently there's about 225,000 MT of government-owned SMP sitting in storage across the continent, with warehouses filling so fast due to strong milk production and governments' financial support. With the EU Commission paying €1,698/MT, returns for SMP/butter production topped the list in light of global market values. Through March, SMP production increased +19% YOY. 25% of YTD SMP production went to intervention. From a milk standpoint, the EU Commission purchased about 1 million MT of milk equivalents, 40% of the YOY gain in milk supply.
- If the Commission does raise the 2016 intervention ceiling to 350,000 MT, it could accommodate around 3.5 million MT of milk or about a +2.5% gain in EU milk output from 2015. Product moving into intervention is product not immediately available to the market, providing some support to prices. As global markets recover, the possibility exists that intervention stocks are made available for resale into the open market. If the politicians allow it, sales from intervention could stifle upward price momentum.





CHINA, ASIA AND LATIN AMERICA CONTINUE TO SEE STRONG GROWTH IN DAIRY IMPORTS, WHILE THE MIDDLE EAST AND AFRICA IMPORTS SOFTEN

To view a chart that illustrates year-on-year changes in imports –

CLICK ON ONE OF THE BOXES BELOW

Asia (excluding China)

+7%

Import change
for the 12 months
to February 2016

- Asia (excluding China) dairy import volumes increased 9% in February compared to the same month the previous year. Increases of over 5% were seen across each of the major dairy categories.
- Imports for the 12 months to February increased 7%, or 256,000 MT, compared to the same period the previous year. This was driven by increases across most major dairy categories with SMP and cheese continuing to provide the largest increases: SMP up 11% and cheese up 9%.

China

+18%

Import change
for the 12 months
to April 2016

- China dairy imports increased 9%, or 15,000 MT, in April compared to the same month last year, with a significant increase seen in fluid and fresh dairy, up 80% or 27,000 MT.
- Imports for the 12 months to April have now increased 18%, or 333,000 MT, compared to the same period last year with fluid and fresh dairy up 60%, infant formula up 48% and whey powder up 19%.

Middle East & Africa

-2%

Import change
for the 12 months
to February 2016

- Middle East and Africa dairy imports decreased -11% in February compared to the same month the previous year. This result was largely due to powders with WMP down -32% and SMP down -31%. In addition cheese was down -18%.
- For the 12 months to February, imports decreased -2%, or 83,000 MT, compared to the same period last year. This decrease is primarily a result of SMP down -18%, or 101,000 MT, and WMP down -4%, or 29,000 MT, partially offset by fluid and fresh milk increasing 7%.

Latin America

+12%

Import change
for the 12 months
to February 2016

- Latin America dairy import volumes increased 20% in February compared to the same month the previous year. Increases were seen across all major dairy categories, excluding fluid and fresh dairy which decreased -7%.
- Imports for the 12 months to February remain strong, increasing 12%, or 177,000 MT compared to the same period last year.
- Increases were seen across all major dairy categories, in particular milk powders, with WMP up 26% and SMP up 22%, with cheese up 18%.

Russia

-35%

Import change
for the 12 months
to February 2016

- Russia dairy import volumes decreased -8.6% in February compared to the same month the previous year, largely due to fluid and fresh dairy down -36% and whey powder up 17%.
- Imports for the 12 months to February continue to show negative figures, decreasing -35%, or 578,000 MT compared to the same period last year.
- Declines were seen across all major dairy categories, in particular fresh fluid and dairy (down -40%) and cheese (down -42%).



MILK PRODUCTION HAS BEEN STRONG IN THE EUROPEAN UNION AND HAS EASED IN OTHER MAJOR EXPORTING COUNTRIES

To view a chart that illustrates year-on-year changes in production –

CLICK ON ONE OF THE BOXES BELOW

New Zealand

– 1%

Production change
for the 12 months to
April 2016

- Total New Zealand milk production decreased -3% in April compared to the same month last year.
- In New Zealand, volumes reduce at this time of year due to seasonality of supply. Farmers are drying off before winter, however generally favourable conditions have supported late season production.
- Milk production for the 12 months to April is down -1% compared to the same period the previous year.

Australia

– 1%

Production change
for the 12 months to
April 2016

- Australia production in April decreased -3% compared to the same month last year.
- Production for the 12 months to April decreased -1% compared to the same period the previous year.
- Production has been impacted by dry conditions across many dairying regions, especially Victoria, and the low milk price environment.

European Union

+ 4%

Production change
for the 12 months to
March 2016

- EU production in March increased 7% compared to the same month last year.
- Production for the 12 months to March increased 4% compared to the same period the previous year. This is despite local milk prices continuing to decrease and being below the same period last year.
- The major contributors to production growth are Ireland up 19%, Belgium up 14%, the Netherlands up 12%, Denmark up 6% and Poland up 5%.
- The EU Commission continues to forecast milk deliveries to increase only 1.4% in calendar year 2016.

United States

+ 1%

Production change
for the 12 months to
April 2016

- US production in April increased 1% compared to the same month last year.
- Milk production for the 12 months to April has increased 1% compared to the same period the previous year.
- The United States Department of Agriculture is forecasting milk production to increase 2% in calendar year 2016.



To view a chart that illustrates year-on-year changes in exports –

CLICK ON ONE OF THE BOXES BELOW

DAIRY EXPORTS REMAIN STRONG FOR NEW ZEALAND, AUSTRALIA AND EUROPE, BUT THE UNITED STATES IS DOWN LARGELY DUE TO INCREASED DOMESTIC DEMAND

New Zealand

+3%

Export change for the 12 months to April 2016

- Total New Zealand dairy exports in April increased 13% compared to the same month last year.
- Exports increased across all the major exporting products, excluding SMP and cheese.
- For the 12 months to April exports remain up only 3%, or 87,000 MT, compared to the same period the previous year. This increase is driven by cheese up 13% and AMF up 8%.

Australia

+6%

Export change for the 12 months to March 2016

- Australia dairy exports in March increased 2% compared to the same month last year, driven by fluid and fresh dairy, up 21%. This was the only major product to increase compared to the same month last year.
- Exports for the 12 months to March increased 6%, or 41,000 MT, compared to the same period the previous year. Over this period, cheese is up 13%, SMP up 12% and fluid and fresh dairy up 11%.

Europe Union

+11%

Export change for the 12 months to February 2016

- EU dairy exports increased 16% in February compared to the same month the previous year, adjusting for the additional day in February 2016. Not adjusting for this, exports increased 20%.
- Exports increased 11% or 476,000 MT, for the 12 months to February compared to the same period last year.
- The largest movers were fluid and fresh dairy up 24%, whey powder up 12%, cheese up 5% and infant formula up 4%.

United States

-6%

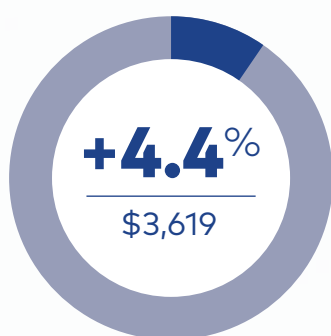
Export change for the 12 months to March 2016

- US dairy exports in March decreased -22% compared to the same month last year, with decreases seen across all major dairy categories.
- Exports for the 12 months to March decreased -6%, or 132,000 MT compared to the same period last year. This is a result of whey powder down -18% and cheese down -16%.
- This decrease in exports is largely due to increased domestic demand.

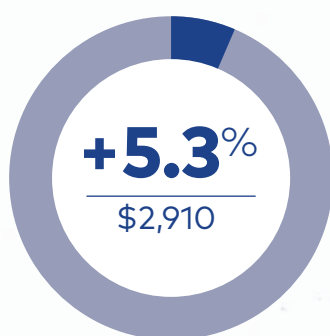


GDT PRICE INDEX

AMF



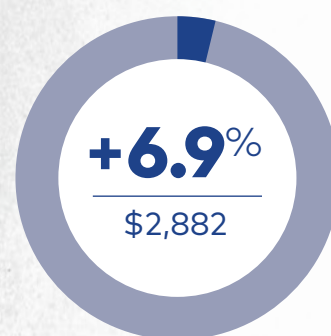
Butter



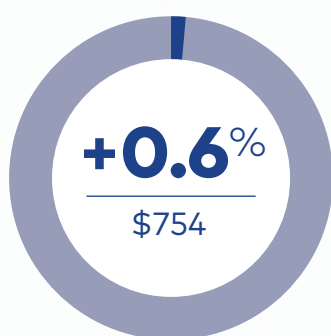
BMP



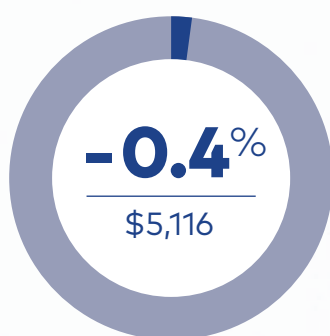
Cheddar



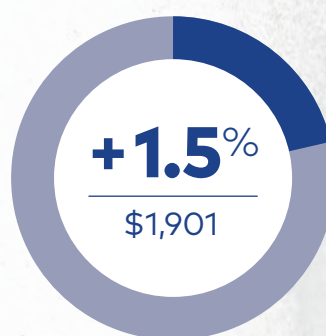
Lactose



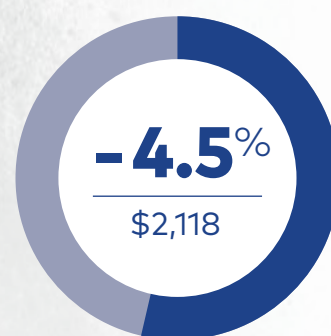
Rennet Casein



SMP



WMP



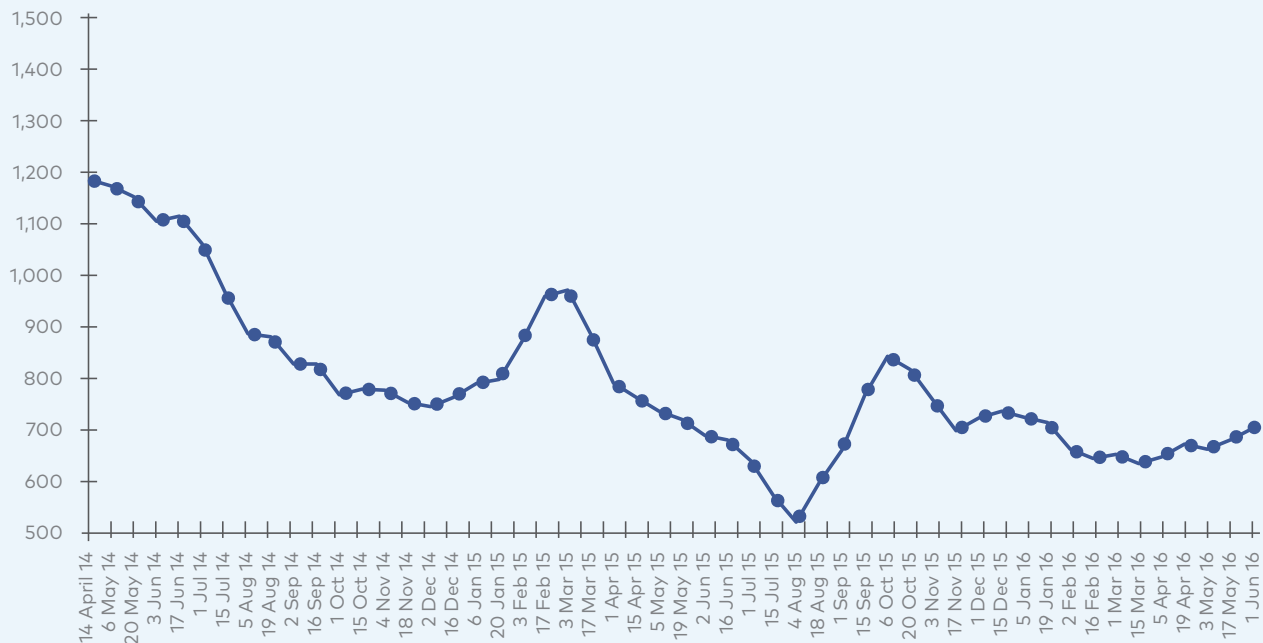
Data reflective as retrieved on 22 June 2016

The shaded dials indicate the proportion of each product group sold versus total quantity sold during the previous 12 months, with a 3 month lag. Figures within the dials represent the percentage change in GDT Price Index and the weighted average price.



WMP SLIGHTLY LOWER BUT STRONG GAINS ACROSS OTHER COMMODITIES

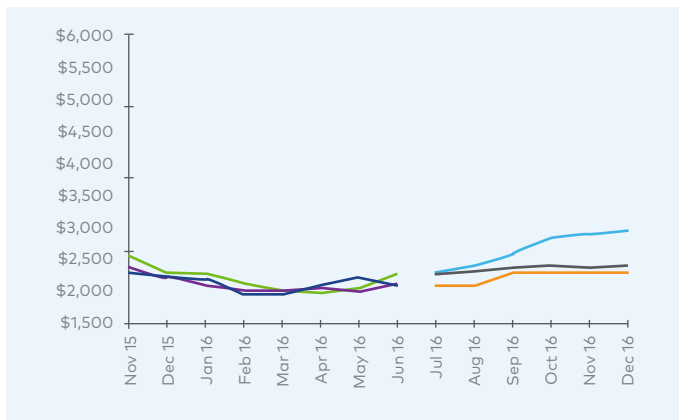
GDT Price Index



The GDT Price Index remained unchanged at the conclusion of TE 166 (15 June), following a rise of +3.4% at TE 165 (1 June). TE 166 saw 23,089 MT sold to 114 winning bidders. The price index did not move significantly from last month, static at 696. Most commodities saw gains, with the exception of decreases for rennet casein (-0.4% to USD 5,116/MT), WMP (-4.5% to USD 2,118/MT) and BMP (-6.6% to USD 1,695/MT). Notably, the largest increases in price were seen in cheddar (+6.9%) and butter (5.3%). AMF, SMP and lactose had similarly-ranged increases at +4.4%, +1.5% and +0.6% respectively.

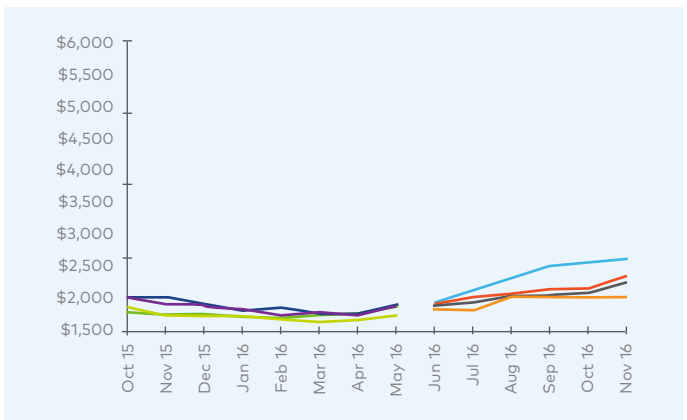


WMP



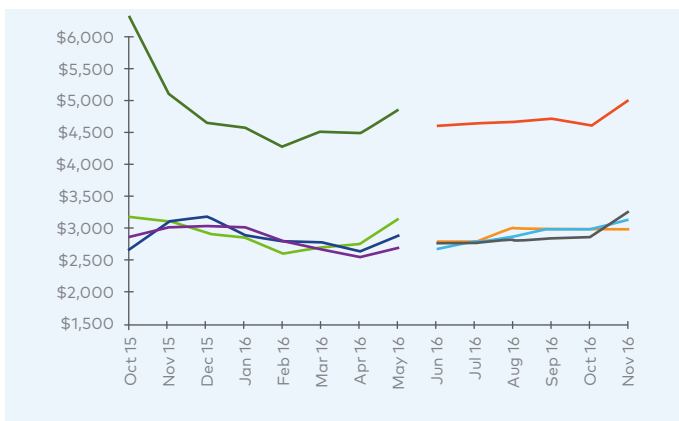
- Since last month, average GDT WMP prices decreased by -5% to USD 2,118/MT breaking the upwards trend seen since February. More significant price changes were seen from Dutch Dairy Board and USDA Oceania, whose current June prices are +11% (USD 2,138/MT) and +6% (USD 2,275/MT) respectively.
- Predictions from future markets are on the rise, consistent with earlier feelings that recovery would be seen in the latter half of the year. While Rabobank remain the same coming up to December 2016, Informa Oceania and NZX Futures continue to rise, up +2% to USD 2,949/MT and up +2% to USD 2,440/MT respectively.

SMP



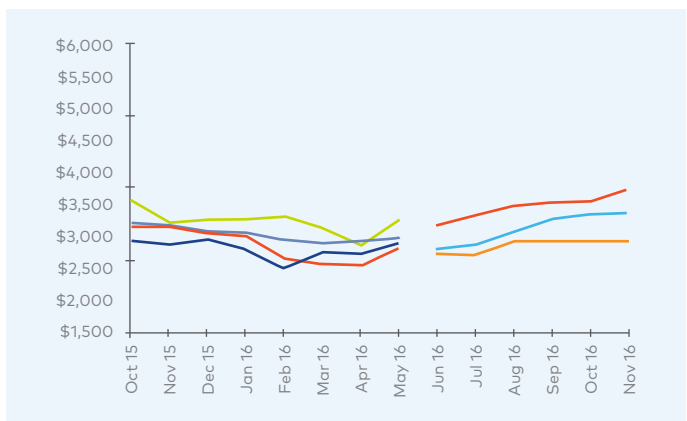
- All markets showed significant gains this month, with GDT showcasing the strongest rise up +10% at USD 1,901/MT followed by USDA Oceania up +8% at USD 1,850/MT and Dutch Dairy Board up +6% at USD 1,847/MT. USDA NASS features a more modest rise of +5% at USD 1,716/MT.
- In the futures market, CME Futures and NZX Futures raised their average price projections +9% to USD 2,320/MT and USD 2,225/MT respectively. Informa Oceania saw smaller gains of +2% (to USD 2,586/MT) while Rabobank Oceania projections remained the same as November.

Butter



- Strong gains were seen across the board for butter this month. Dutch Dairy Board boasted gains of +15% at USD 3,180/MT while CME Spot, GDT, and USDA Oceania followed closely behind with rises at +9% (USD 4,892/MT), +10% (USD 2,910/MT) and +6% (USD 2,725/MT) respectively.
- Most futures markets also boasted significant gains. NZX Futures projections up +13% at USD 3,260/MT for the month of December 2016. CME Futures and Informa Oceania showed a rise in projections of +8% (at USD 5,012/MT) and +5% (at USD 3,146/MT) respectively, while Rabobank Oceania projections remained the same as November.

Cheese



- Cheese prices once again showed large gains over May. CME Spot revealed the largest increase in cheese price during June (+13%, to USD 3,255/MT). USDA Oceania's increase was smaller at +9% (to USD 2,815/MT) while GDT and EU Commission prices sat up +6% (at USD 2,882/MT) and up +2% (at USD 2,972/MT) respectively.
- Future prices for cheese to December did not observe the same gains as other commodities. CME Futures showed the largest gains up +5% at USD 3,710/MT, while Informa Oceania showed a modest gain in projections up just +1% at USD 3,369/MT. Rabobank Oceania projections remained unchanged from November.

Actuals

- GDT Fonterra
- Dutch Dairy Board
- USDA Oceania
- EU Commission
- USDA NASS
- CME Spot

Forecasts

- NZX Futures
- Rabobank Oceania
- CME Futures
- Informa Oceania



IMPORTS INTO THE MAJOR IMPORTING REGIONS

To view a summary
of the year-on-year
changes in imports –

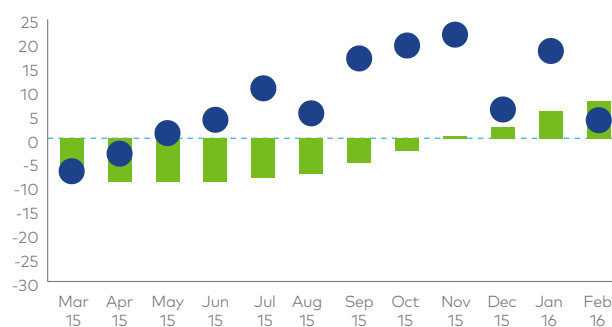
[CLICK HERE ►](#)

Asia (excluding China)



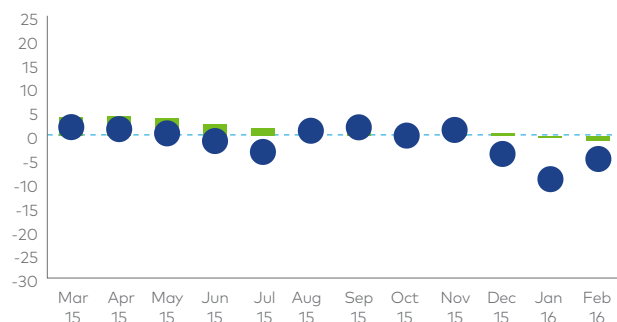
- Asia (excluding China) dairy import volumes increased 9% in February compared to the same month the previous year. Increases of over 5% were seen across each of the major dairy categories.
- Imports for the 12 months to February increased 7%, or 256,000 MT, compared to the same period the previous year. This was driven by increases across most major dairy categories with SMP and cheese continuing to provide the largest increases: SMP up 11% and cheese up 9%.

China



- China dairy imports increased 9%, or 15,000 MT, in April compared to the same month last year, with a significant increase seen in fluid and fresh dairy, up 80% or 27,000 MT.
- Imports for the 12 months to April have now increased 18%, or 333,000 MT, compared to the same period last year with fluid and fresh dairy up 60%, infant formula up 48% and whey powder up 19%.

Middle East & Africa



- Middle East and Africa dairy imports decreased -11% in February compared to the same month the previous year. This result was largely due to powders with WMP down -32% and SMP down -31%. In addition cheese was down 18%.
- For the 12 months to February, imports decreased 2%, or 83,000 MT, compared to the same period last year. This decrease is primarily a result of SMP down 18%, or 101,000 MT, and WMP down 4%, or 29,000 MT, partially offset by fluid and fresh milk increasing 7%.

Legend

- Moving Annual Total
- Year on Year

Source: Data from Global Trade Information Services and EU Milk Market Observatory

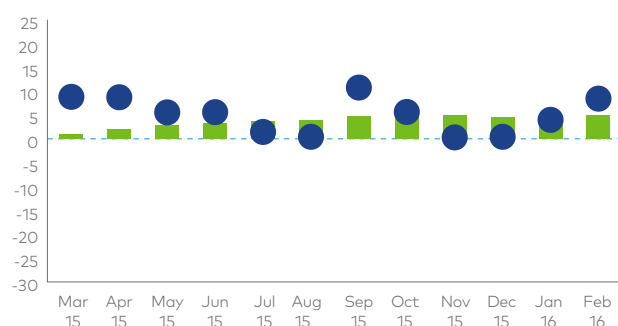


IMPORTS INTO THE MAJOR IMPORTING REGIONS (continued)

To view a summary
of the year-on-year
changes in imports –

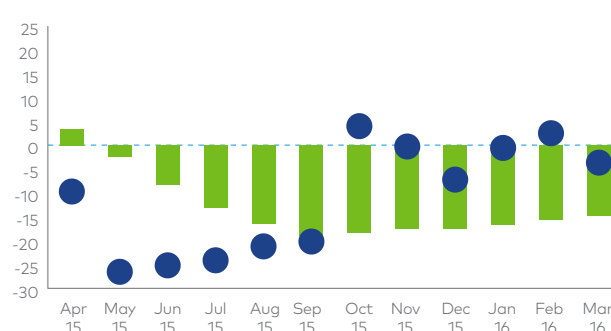
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Latin America



- Latin America dairy import volumes increased 20% in February compared to the same month the previous year. Increases were seen across all major dairy categories, excluding fluid and fresh dairy which decreased -7%.
- Imports for the 12 months to February remain strong, increasing 12%, or 177,000 MT compared to the same period last year.
- Increases were seen across all major dairy categories, in particular milk powders, with WMP up 26% and SMP up 22%, with cheese up 18%.

Russia



- Russia dairy import volumes decreased -8.6% in February compared to the same month the previous year, largely due to fluid and fresh dairy down -36% and whey powder up 17%.
- Imports for the 12 months to February continue to show negative figures, decreasing -35%, or 578,000 MT compared to the same period last year.
- Declines were seen across all major dairy categories, in particular fresh fluid and dairy (down -40%) and cheese (down -42%).

Legend

- Moving Annual Total
- Year on Year

Source: Data from Global Trade Information Services and EU Milk Market Observatory

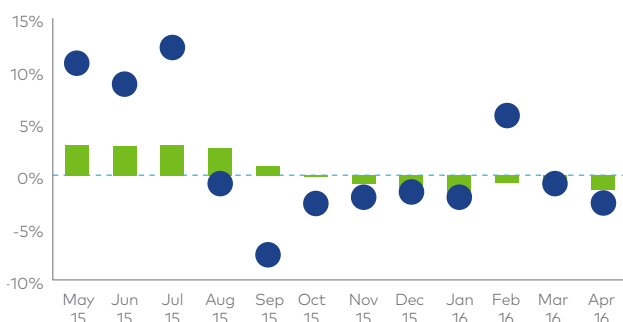


MILK PRODUCTION IN THE MAJOR SUPPLIERS TO WORLD MARKETS

To view a summary of the year-on-year changes in production –

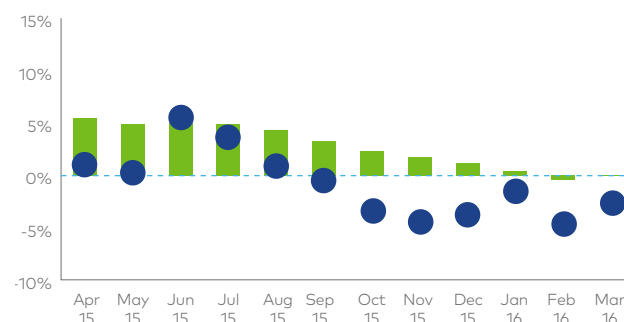
[CLICK HERE ►](#)

New Zealand



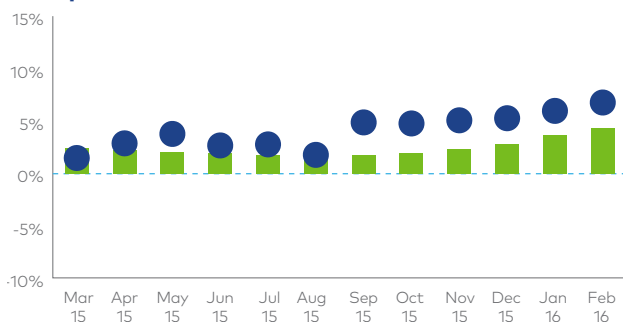
- Total New Zealand milk production decreased 3% in April compared to the same month last year.
- In New Zealand, volumes reduce at this time of year due to seasonality of supply. Farmers are drying off before winter, however generally favourable conditions have supported late season production.
- Milk production for the 12 months to April is down 1% compared to the same period the previous year.

Australia



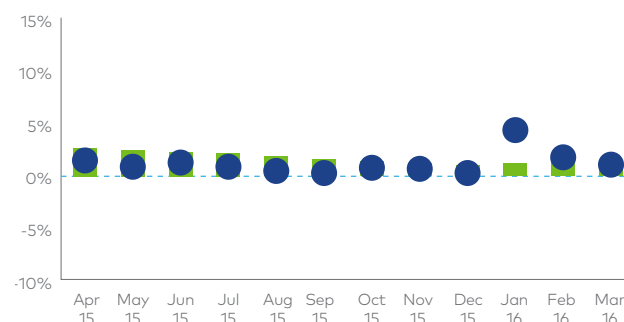
- Australia production in April decreased -3% compared to the same month last year.
- Production for the 12 months to April decreased -1% compared to the same period the previous year.
- Production has been impacted by dry conditions across many dairying regions, especially Victoria, and the low milk price environment.

European Union



- EU production in March increased 7% compared to the same month last year.
- Production for the 12 months to March increased 4% compared to the same period the previous year. This is despite local milk prices continuing to decrease and being below the same period last year.
- The major contributors to production growth are Ireland up 19%, Belgium up 14%, the Netherlands up 12%, Denmark up 6% and Poland up 5%.
- The EU Commission continues to forecast milk deliveries to increase only 1.4% in calendar year 2016.

United States



- US production in April increased 1% compared to the same month last year.
- Milk production for the 12 months to April has increased 1% compared to the same period the previous year.
- The United States Department of Agriculture is forecasting milk production to increase 2% in calendar year 2016.

Legend

- Moving Annual Total
- Year on Year

Source: Data from Global Trade Information Services and from government and industry websites, including USDA, Eurostat, Dairy Australia and Dairy Companies Association of New Zealand

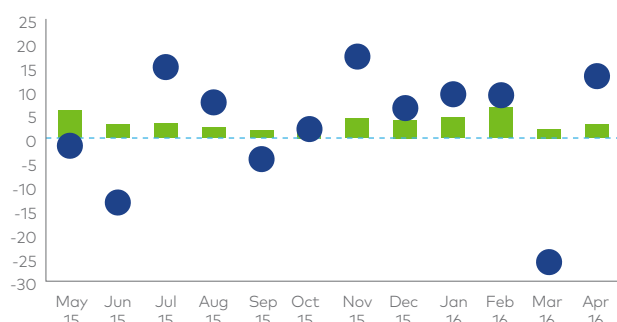


EXPORTS FROM THE MAJOR SUPPLIERS TO THE WORLD MARKETS

To view a summary of the year-on-year changes in exports –

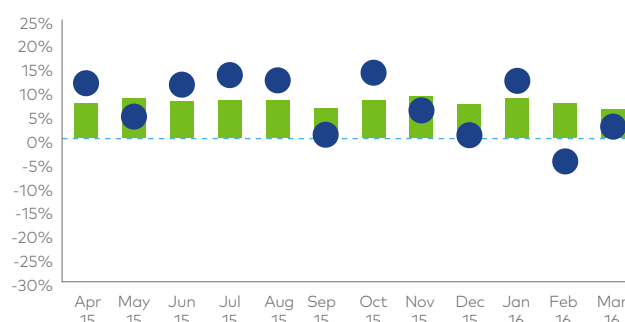
[CLICK HERE ►](#)

New Zealand



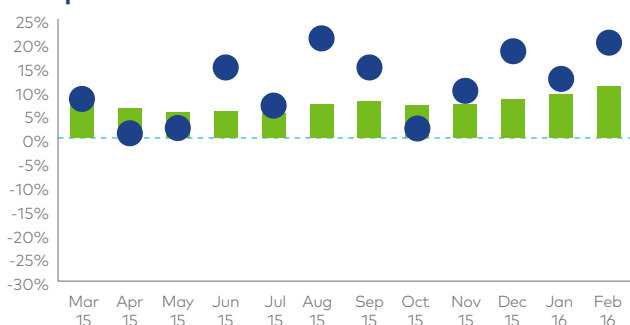
- Total New Zealand dairy exports in April increased 13% compared to the same month last year.
- Exports increased across all the major exporting products, excluding SMP and cheese.
- For the 12 months to April exports remain up only 3%, or 87,000 MT, compared to the same period the previous year. This increase is driven by cheese up 13% and AMF up 8%.

Australia



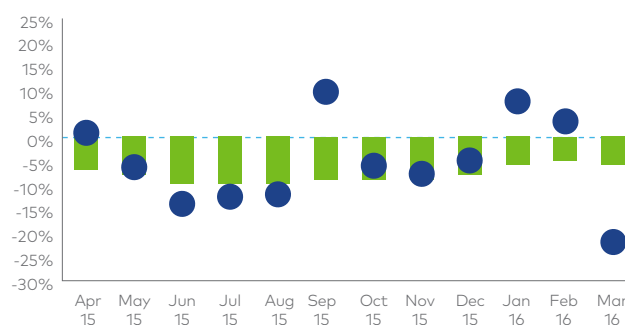
- Australia dairy exports in March increased 2% compared to the same month last year, driven by fluid and fresh dairy, up 21%. This was the only major product to increase compared to the same month last year.
- Exports for the 12 months to March increased 6%, or 41,000 MT, compared to the same period the previous year. Over this period, cheese is up 13%, SMP up 12% and fluid and fresh dairy up 11%.

European Union



- EU dairy exports increased 16% in February compared to the same month the previous year, adjusting for the additional day in February 2016. Not adjusting for this, exports increased 20%.
- Exports increased 11% or 476,000 MT, for the 12 months to February compared to the same period last year.
- The largest movers were fluid and fresh dairy up 24%, whey powder up 12%, cheese up 5% and infant formula up 4%.

United States



- US dairy exports in March decreased 22% compared to the same month last year, with decreases seen across all major dairy categories.
- Exports for the 12 months to March decreased 6%, or 132,000 MT compared to the same period last year. This is a result of whey powder down 18% and cheese down 16%.
- This decrease in exports is largely due to increased domestic demand.

Legend

- Moving Annual Total
- Year on Year

Source: Data from Global Trade Information Services, US Dairy Export Council, EU Milk Market Observatory, Dairy Australia and Eurolait



Glossary and references

Fonterra draws the information in this update from a variety of principally external sources listed below. Also included are defined acronyms for better understanding.

- CME – Chicago Mercantile Exchange
- EIU – Economist Intelligence Unit
- FAO – United Nations Food and Agriculture Organisation
- FTA – Free Trade Agreement
- GDI – Global Dairy Intelligence group, Fonterra Cooperative Group Limited. GDI provides insights to Fonterra management based on a model of the global dairy market developed by GDI and populated with publicly available data. The model outputs referenced in this report do not reflect Fonterra's non-public production or sales data
- GDP – Gross Domestic Product
- GDT – GlobalDairyTrade auction platform
- GDT Price Index – is an index that provides a measure of the weighted average percentage change in the movement in price of all products sold on GDT. This provides a simple measure of changes in dairy price between trading events
- IMF – International Monetary Fund
- Informa – Informa Economics Inc., Dairy Group, Global Dairy Market Report
- LME – Liquid Milk Equivalent
- MAT – Moving Annual Total
- MEA – Middle East and Africa
- NDM – Non-fat Dry Milk
- NZX – New Zealand Stock Exchange
- OECD – Organisation for Economic Co-operation and Development
- Q[1] – [First] Quarter
- SEA – South East Asia
- TE – GDT Trading Event
- USDA NASS – US Department of Agriculture National Agricultural Statistics Service
- USDA Oceania – US Department of Agriculture – Agricultural marketing service price series for specific products in the Oceania region
- YOY – Year-on-year
- YTD – Year to date

Comments on weather are obtained from various government weather sites as well as independent reports including Martell Crop Projections. Global milk production data is sourced from government and industry websites including US Department of Agriculture (USDA), EuroStat, Dairy Australia, Dairy Companies Association of NZ (DCANZ) and others.

Graph explanation

Year-on-year (YOY):

Represented by the blue dots. YOY data shows results from a single month compared to the same month in the previous year. This metric can change significantly between months, particularly if an 'event' such as extreme weather incident or regulatory change occurs.

Moving annual total (MAT):

Represented by the green bars. MAT data shows results averaged across a 12 month period. These results tend to be a lot smoother, compared to YOY and can give a better longer term perspective.

So what do you need to know?

- Blue dots that are above the bars are showing growth i.e. strong monthly performance will ultimately drive up the average 12 month performance if sustained.
- Blue dots below the bars are showing decline i.e. performance has been worse than the 12 months average.



Important note: The information and commentary contained in this 'Perspective from NZMP' is based on publicly available official government statistics; industry association reports; other published industry reports together with data and insights developed by Fonterra's Global Dairy Intelligence group ('GDI'). These sources are identified as appropriate in this 'Perspective from NZMP'. GDI insights and data are derived from a global dairy market model populated by publicly available data. The model inputs and outputs do not reflect Fonterra's non-public production, pricing or sales data. Fonterra Cooperative Group Limited and its group members involved in the manufacture or sale of NZMP branded products ('Fonterra') has provided this 'Perspective from NZMP' for informational purposes only. It does not constitute recommendations or advice for the purposes of making financial decisions regarding trading in dairy products or commodities, or dealing in financial instruments relating to dairy commodities. Although every effort is made to ensure the accuracy of reproducing and interpreting such information, no warranty or representation of such is made and Fonterra shall have no liability in respect of any reliance placed on such information in the formulation of any business decision.