

# PERSPECTIVE

JUNE 2017

## 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 back to Perspective!

This month we share insight from NZMP Global Insights Manager Roshena De Leon on the food intolerance market.

## **Production, exports, imports and pricing**

- Increased production in the US and some recovery in the EU and New Zealand.
- Continued growth in US exports with New Zealand steady, EU and Australia volumes remain soft.
- Import volumes continue to strengthen in Asia and China while Middle East & Africa imports remain soft.
- GDT results were fairly stable with a slight increase at TE 189 and slight decrease in TE 190.
- Butter commodity prices for June continued their strong upward trend. SMP and cheddar prices also increased, whilst WMP prices slightly decreased.












If you have any suggestions for topics you would like to read about in Perspective, or any other general feedback, we would love to hear from you. You can contact us at [nzmpbrand@fonterra.com](mailto:nzmpbrand@fonterra.com) or through your account manager.

**Kind regards,**

**The Perspective team**

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# OPPORTUNITIES IN THE "FREE-FROM" FOOD MARKET

The health and wellness trend has brought the issue of food intolerances to the forefront in modern consumers' minds. The market for food intolerance products has grown rapidly in recent years, with global sales value rising by 57% between 2011 and 2016, to reach an estimated US\$32.5 billion. It is projected to reach total sales of US\$47.9 billion by 2021.<sup>1</sup>



**Roshena  
De Leon**  
GLOBAL INSIGHTS  
MANAGER

Roshena joined Fonterra in January 2015 as a Global Insights Manager and is responsible for the translation of in-depth understanding of markets, categories and consumer trends into strategic initiatives and opportunities.

She has 18 years of experience in both qualitative and quantitative research with a strong focus on the FMCG category.

Prior to Fonterra, Roshena has held roles in various global market research and media agencies and MNCs.

The increased diagnosis of food sensitivities has given rise to a new and growing market for food intolerance (or "free-from") products, as well as stricter labelling and a greater awareness in general of the content and origins of packaged foods. Food intolerance products are also increasingly consumed by consumers without specific sensitivities, who believe these products are healthier for digestion, as well as by vegetarians or vegans, those following Kosher diets, slimmers, etc.

The media and internet play a vital role in spreading health issues and have helped raise consumer awareness of food intolerance issues. In many markets, consumers are influenced by celebrities who declare themselves to have these food intolerances, such that in some cases food intolerance is thought to have almost become a fad rather than a reality.

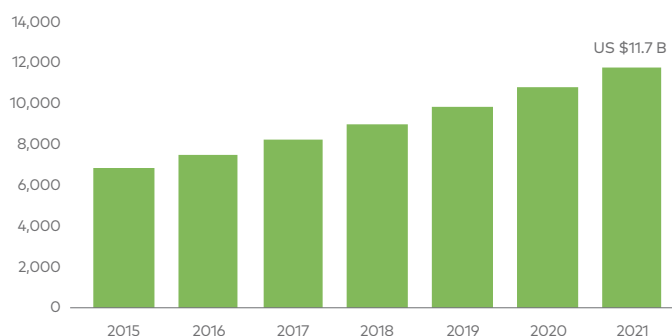
Over-diagnosing is also a common tendency when it comes to food intolerance products, with many consumers now testing specific diets for example when suffering digestive problems. Studies have shown women to be the largest consumers of food intolerance products, as they tend to be worse affected by digestive problems and allergies, and more likely to pay attention to these conditions and attempt to control the symptoms through diet. Children are also a key target market for manufacturers.<sup>1</sup>

Dairy or lactose and shellfish allergies are the most common self-reported food allergies or intolerances, each cited by 12% of respondents globally.<sup>2</sup> A growing number are blaming lactose, at least partly, for digestive discomfort experienced after meals. In order to cut down on bloating and the embarrassment caused by the build-up of intestinal gas, more and more consumers are resorting to specialist products.



The awareness and popularity of low lactose dairy products has been on an upward trajectory for the past decade. What was once a new speciality product with limited reach is increasingly a standard product in the dairy aisle. As options proliferate, the low lactose dairy segment is rapidly becoming mainstream. The low lactose segment led other global food intolerances like allergens and gluten in 2016 with a worldwide value of US\$7.4 billion and is predicted to reach US\$11.67 billion by 2021, growing at a compound annual rate of over +9.5%.

Global Lactose Free Food and Beverage Market  
Retail Value RSP | US\$ mn



Western Europe is the biggest market for lactose-free currently valued at US\$2.7 billion. North America, Latin America and the Asia-Pacific each have a value of over US\$1.0 billion in this category.

Looking to the future, Latin America and the Asia-Pacific regions show promise with a projected CAGR of 13.1% and 11.3% respectively between 2016-2021 while Western Europe continues to be an important market.

China, in particular, holds massive growth potential for free-from products, since an estimated 70% of the population is believed to be lactose intolerant.

Lactose-free dairy products compete strongly with non-dairy products, such as soy and rice-based products. Many varieties of soya milk are fortified with calcium and other nutrients, and some are also low-fat. The availability of low lactose options provides an opportunity for dairy companies to compete with the non-dairy alternatives, while also capitalising on the story of natural calcium and protein content in dairy as a way to add value.

The market for free-from foods represents a potentially lucrative business for manufacturers, retailers and service providers alike, and is expected to become increasingly competitive.

Innovation will drive this market forward, in terms of expanding the offer to include more types of food and developing products that are tastier and more appealing. Taste of food is the top consideration in purchasing decisions for consumers with food intolerances. Therefore, those companies that invest in research and development to develop the tastiest options will fare best in the future.

Lactose-free foods will remain one of the largest sectors of the food intolerance products market by 2021. Some regions have yet to be exploited with regard to lactose-free products, such as Asia-Pacific and Africa, which have the highest rates of lactose intolerance, and thus offer much growth potential for lactose-free products. Such a niche is also evident in Eastern Europe, where lactose-free products accounted for a very low share of total food for intolerance sales.



# INCREASED PRODUCTION IN THE US AND SOME RECOVERY IN THE EU AND NEW ZEALAND

To view a summary of year-on-year changes in production [click here](#)

### New Zealand

**-1%**

Production change  
for the 12 months to  
April 2017

For the 12 months to April, milk production was down -1% compared to the same period the previous year.

The monthly volume change reflects better weather conditions in the latter part of the season.

Total New Zealand milk production in April was up +6% compared to the same month last year.

### Australia

**-7%**

Production change  
for the 12 months to  
March 2017

Production for the 12 months to March was down -7% compared to the same period the previous year.

Australia production in March decreased -5% compared to the same month last year.

### European Union

**-2%**

Production change  
for the 12 months to  
March 2017

For the 12 months to March, production was down -2% compared to the same period the previous year, but there are signs of a slow recovery.

EU production in March was flat relative to the same month last year. Ireland and Poland were up +4% and +5% respectively, while the UK and Germany were down -2%.

### United States

**+2%**

Production change  
for the 12 months to  
April 2017

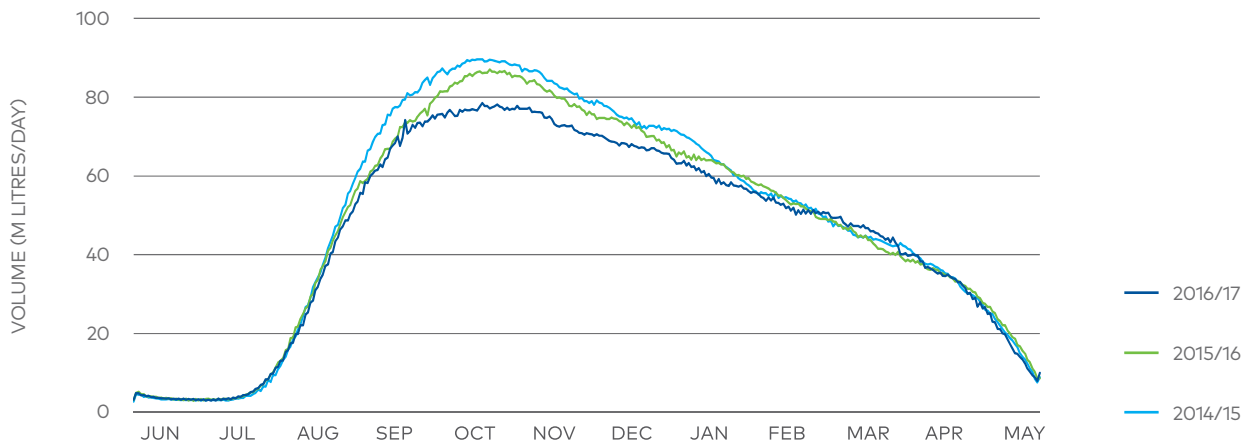
Milk production for the 12 months to April increased +2% compared to the same period the previous year.

US production in April increased +2% compared to the same month last year.

Monthly volumes have been increasing at +2% for the past eleven months and this growth trend is expected to continue.



## FONTERRA NEW ZEALAND MILK COLLECTION 2016/2017 SEASON



### New Zealand Collection

**-3%**

Decrease for the season from 1 July to 31 May

Fonterra's milk collection across New Zealand for the 2016/17 season reached 1,526 million kgMS, -3% behind the 2015/16 season.

Wet conditions through spring saw collections down -8% in October however favourable weather conditions through summer saw a lift in milk production.

May collections were 66 million kgMS, -1% down on the same month last season with cool conditions impacting the South Island.

Fonterra's early forecast of milk collection in New Zealand for the 2017/18 season is estimated to increase +3%, assuming a return to more usual climatic conditions.

### Australian Collection

**+1%**

Increase for the season from 1 July to 31 May

Fonterra's milk collection across Australia for the 11 months to 31 May reached 116 million kgMS, +1 million kgMS higher than last season.

Last year's production was heavily impacted by lower Australian milk prices. Favourable autumn conditions combined with lower key input costs have aided the season recovery in milk collection.



Source: Fonterra Global Dairy Update, June 2017



# CONTINUED GROWTH IN US EXPORTS WITH NEW ZEALAND STEADY

EU and Australia volumes remain soft

To view a summary of year-on-year changes in exports [click here](#)

### New Zealand

**+4%**

Export change for  
the 12 months to  
March 2017

Exports for the 12 months to March were up +4%, or 117,000 MT, on the previous comparable period.

Total New Zealand dairy exports in March increased +5%, or 13,000 MT, compared to the same month last year.

New Zealand's largest export category, WMP, increased +15% or 14,000 MT, while fluid and fresh dairy increased +43%. Offsetting these large gains were cheese and SMP, down -8% and -9% respectively.

### Australia

**+1%**

Export change for  
the 12 months to  
March 2017

Exports for the 12 months to March were up +1%, or 6,000 MT, on the previous comparable period.

Australia dairy exports in March decreased -10%, or 7,000 MT, compared to the same month last year. This is the fourth consecutive month of decreasing volumes.

Cheese volumes were up +19% after a brief period of decline, while fluid and fresh dairy, the largest export category, was down -1%.

Growth in fluid and fresh dairy and WMP, up +10% and +11% respectively, was offset by declines in key export categories SMP and cheese down a combined -12% or 44,000 MT.

### European Union

**+4%**

Export change for  
the 12 months to  
February 2017

Export growth on a rolling 12-month basis has eased in recent months but remains up +4%, or 172,000 MT, on the previous comparable period.

EU dairy exports in February were down -1%, relative to the same month the previous year.

Declines in fluid and fresh dairy and SMP, -5% and -3% respectively, were offset by growth in WMP, cheese and infant formula, up a combined +6% or 8,000 MT.

The largest export category, fluid and fresh dairy, has declined the past four months but remains up +6% or 81,000 MT.

### United States

**+8%**

Export change for  
the 12 months to  
March 2017

Exports for the 12 months to March were up +8% or 157,000 MT, on the previous comparable period.

US dairy exports increased +19%, or 29,000 MT, in March compared to the same month the previous year.

This was the tenth consecutive month of increasing exports and was led by whey powder, SMP and cheese, up a combined 75,000 MT or +6%.





# IMPORT VOLUMES CONTINUE TO STRENGTHEN IN ASIA AND CHINA

while Middle East & Africa imports remain soft

To view a summary of year-on-year changes in imports [click here](#)

## China

**+10%**

Import change  
for 12 months to  
April 2017

Imports for the 12 months to April were up +10%, or 203,000 MT, compared to the same period last year.

China dairy imports increased +6%, or 10,000 MT, in April compared to the same month last year.

Gains in key categories whey powder and infant formula, up +24% and +34% respectively, were offset by a decline in fluid and fresh dairy, down -19% or 11,000 MT.

Fluid and fresh dairy, China's largest import category, was up +13%, or 78,000 MT, while WMP and whey powder were up +8% and +12% respectively.

## Middle East & Africa

**-3%**

Import change  
for 12 months to  
February 2017

Imports for the 12 months to February were down -3%, or 127,000 MT, compared to the same period last year.

Middle East and Africa dairy imports decreased -9%, or 29,000 MT, in February compared to the same month the previous year.

Growth in WMP, up +16% or 10,000 MT, was offset by declines in key import categories with fluid and fresh dairy, SMP and cheese down a combined -11% or 18,000 MT.

## Asia (excluding China)

**+7%**

Import change  
for 12 months to  
February 2017

Imports for the 12 months to February were up +7%, or 296,000 MT, compared to the same period the previous year.

Asia (excluding China)<sup>1</sup> dairy imports increased +9%, or 33,000 MT, in January compared to the same month the previous year.

Whey powder and cheese were up +14% and +17% respectively while WMP and SMP were relatively flat.

Increases in fluid and fresh dairy and whey powder, up +16% and +12% respectively, were offset by WMP, down -4% or 26,000 MT for the period.

<sup>1</sup> Includes estimate for Indonesia (January-February) and Macao (October-February).

## Latin America

**+11%**

Import change  
for 12 months to  
February 2017

Imports for the 12 months to February were up +11%, compared to the same period the previous year.

Latin America<sup>2</sup> dairy import volumes were flat in January compared to the same month the previous year.

+17% growth in the region's largest import category, SMP, was offset by declines in fluid and fresh dairy and infant formula, down a combined -11% or 3,400 MT.

WMP, cheese and SMP, the three largest product categories, were up a combined 892,000 MT or +17%.

<sup>2</sup> Excludes Venezuela and Nicaragua. Includes estimate for Honduras (January-February).

## Russia

**+4%**

Import change  
for 12 months to  
February 2017

Imports to Russia are up +4% for the 12 months to February compared to the same period the previous year. SMP imports have increased +22% on a MAT basis.

Russia import volumes decreased -9% for February compared to the same month the previous year. This included a decrease for the largest product group fluid and fresh dairy down -17%, and a decrease in cheese imports of -6%.



# TRACKING THE GLOBAL DAIRY MARKET

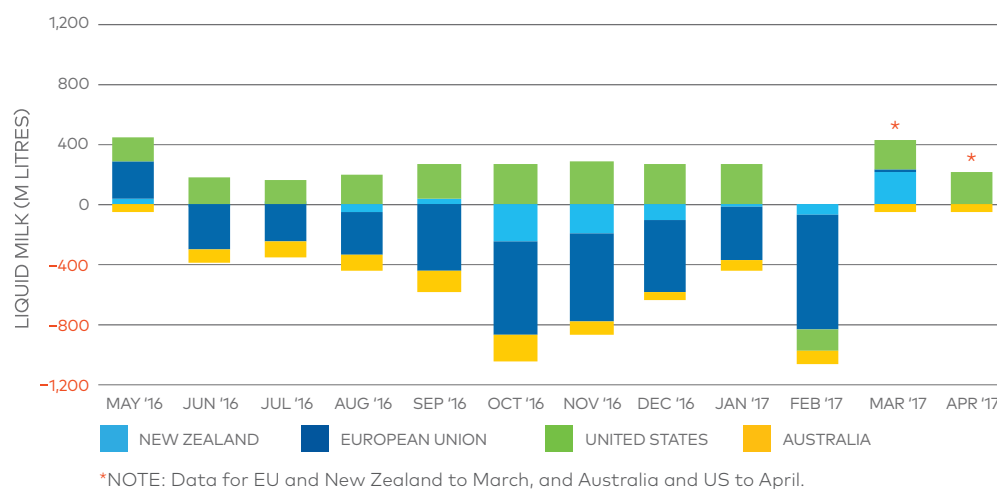
## Global Dairy Market

The charts on the right illustrate the year-on-year changes in production, exports and imports for a range of countries that are important players in global dairy trade.

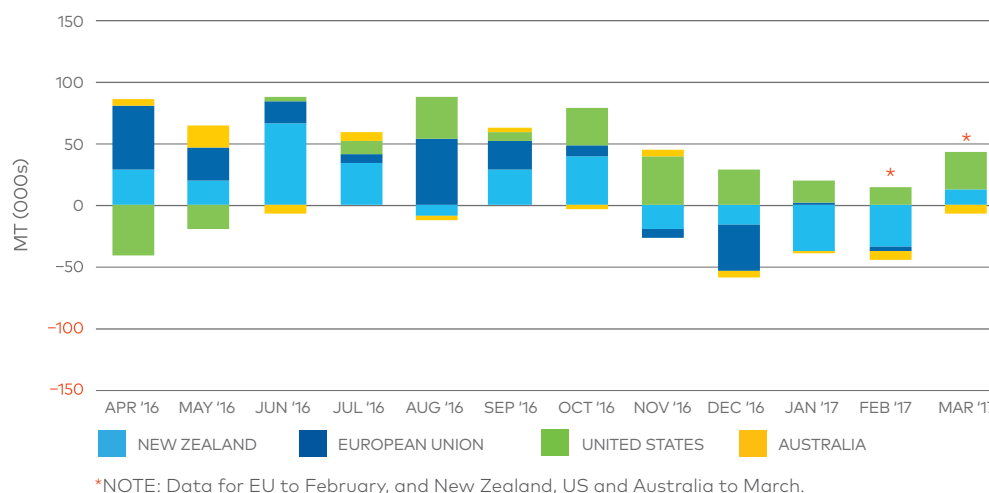
Where countries are not shown, this is likely due to data not yet being available at time of publication.

For further information [click here](#)

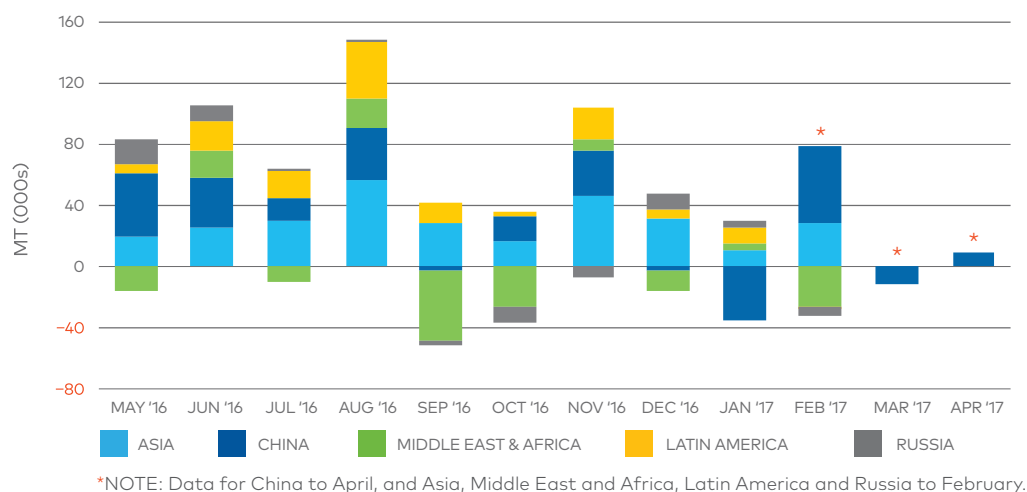
### PRODUCTION



### EXPORTS



### IMPORTS



Source: Government milk production statistics/GTIS trade data/Fonterra analysis



## Food Price

FAO Food Price Index averaged nearly 172.6 points in May 2017, up +3.7 points from April and nearly +10% above its year-ago level. The Dairy Price Index averaged 193 points in May 2017, up +9.5 points (+5.1%) from the previous month, but still -30% below the peak reached in February 2014. Quotations of all dairy products that comprise the index rose in May. Domestic demand in Europe and North America continues to support butter prices while ample intervention stocks limited the increase in skim milk powder prices.

Source: FAO



## Economic

Composite leading indicators (CLIs) anticipate stable growth momentum for the OECD as a whole. Stable growth continues to be expected in United States, Japan, the United Kingdom, and the euro area including France and Italy and is now also in Canada. Germany shows signs of gaining growth momentum. In emerging economies CLIs point to growth gaining momentum in Brazil and Russia, and stable growth momentum in China and India.

Source: OECD



## Consumer

The Economist Intelligence Unit (EIU) increased its global growth forecast for 2017 to +2.7%. This increase was driven by an upward revision for the euro zone forecast to +1.8%, following a strong first quarter. EIU raised the risk of the US president being impeached from low to moderate, due to the investigation into links between Trump's advisors and Russian officials. The political crisis in Brazil has caused EIU to revise down forecast GDP growth for Brazil from 0.5% to 0% and revise global GDP outlook for 2017 to 2%. EIU reduced oil price forecast in 2018-21 to an annual average of USD 55.5/barrel.

Source: Economist Intelligence Unit



## Weather

New Zealand received a cold winter blast in the second half of May. However, New Zealand pasture covers and winter crop volumes are all on target and animal condition is reported as above average. Poor winter weather in Ireland led to a slow start to production, however, this is expected to pick up. El Niño conditions are anticipated with a 57% chance over the next three months. This will mean lower rainfall and warmer temperatures for New Zealand and Australia.

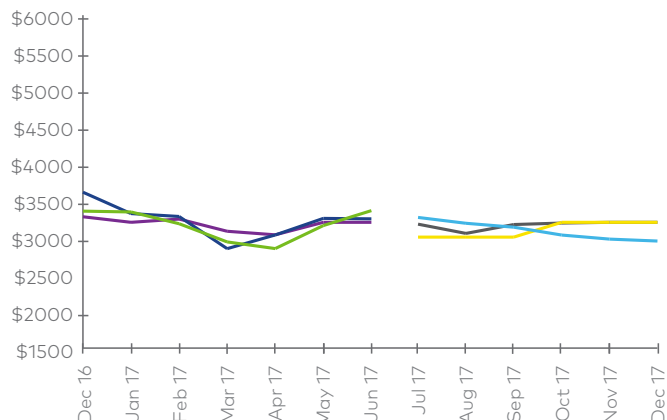
Source: Climate Prediction Centre, World Agricultural Weather Highlights USDA oCOE; Dairy Australia Situation and Outlook June 2017; CME Group; NIWA





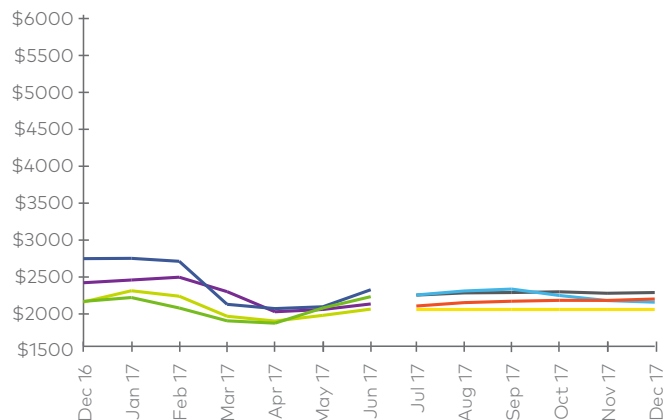
# COMMODITY PRICES

## WMP



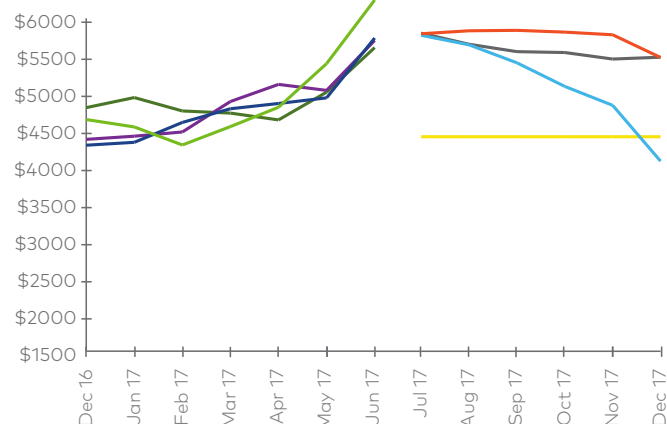
- GDT WMP price decreased -0.2% MOM in June to USD 3247/MT, however, Dutch Dairy Board (DDB) WMP price increased MOM up +6.4% to USD 3,358/MT and USDA Oceania stayed flat at USD 3,200/MT.
- Average futures and forecasts for July 2017 to December 2017 average between USD 3,089 and USD 3164/MT. NZX Futures average price from July to December 2017 increased +0.6% and average forecasts from Informa Oceania and Rabobank Oceania increased +11.8% and +3.3%, and now more closely align with NZX.

## SMP



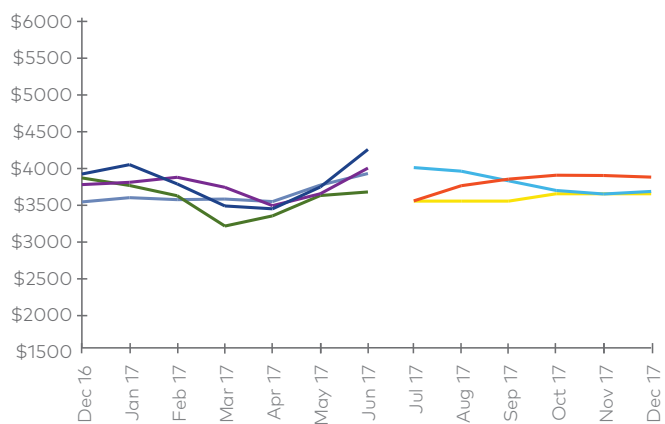
- SMP prices all increased MOM, DDB increased +7.6% to USD 2,174/MT, GDT increased +11.6% to USD 2,268/MT, USDA Oceania up +3.8% to USD 2,075/MT and USDA NASS up +4.4% to USD 2,005/MT.
- Futures and forecasts all increased their six-month average prices and are forecasting pricing between USD 2,047/MT and USD 2,230/MT over the next six months.

## Butter



- In May, butter prices continued to increase; DDB up +16.0% to USD 6,247/MT, GDT up +16.4% to USD 5,733/MT, USDA Oceania up +13.4% to USD 5,700/MT and CME Spot up +12.0% to USD 5,603/MT.
- Forecast and futures pricing lifted more in line with current pricing. The average NZX Futures price from July to December 2017 increased +26.3% to an average of USD 5,577/MT and CME Futures increased +23.0% to USD 5,471/MT. USDA reported April as the first month since March 2015 where butter ending stocks decreased compared to previous month.

## Cheese



- Cheddar cheese prices all increased. Cheddar prices increased MOM for GDT +13.9% to USD 4,204/MT, USDA Oceania +9.7% to USD 3,950/MT, CME Spot price +1.4% to USD 3,625/MT and EU Commission +4.2% to USD 3,876/MT.
- Futures and forecasts all increased the average price from July to December. CME Futures increased +4.0% to an average price of USD 3,757/MT, Informa Oceania increased +12.8% to USD 3,753/MT and Rabobank increased +1.9% to USD 3,550/MT.

### Actuals

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

### Forecasts

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





## TRADING EVENT 190

WMP

**-3.3%**

\$3,022

SMP

**+1.4%**

\$2,218

AMF

**+4.4%**

\$6,885

Butter

**+2.9%**

\$5,768

Cheddar

**-3.8%**

\$4,121

Rennet Casein

**-8.0%**

\$6,104

Lactose

**-11.1%**

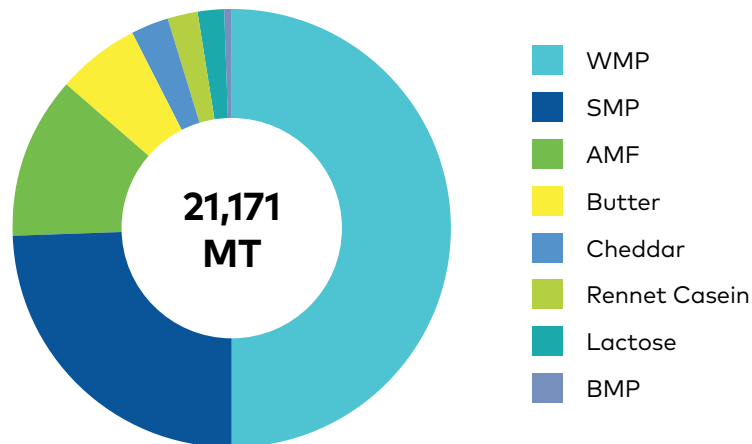
\$869

BMP

Not offered  
at this event

## GDT SALES BY PRODUCT

TRADING EVENT 190

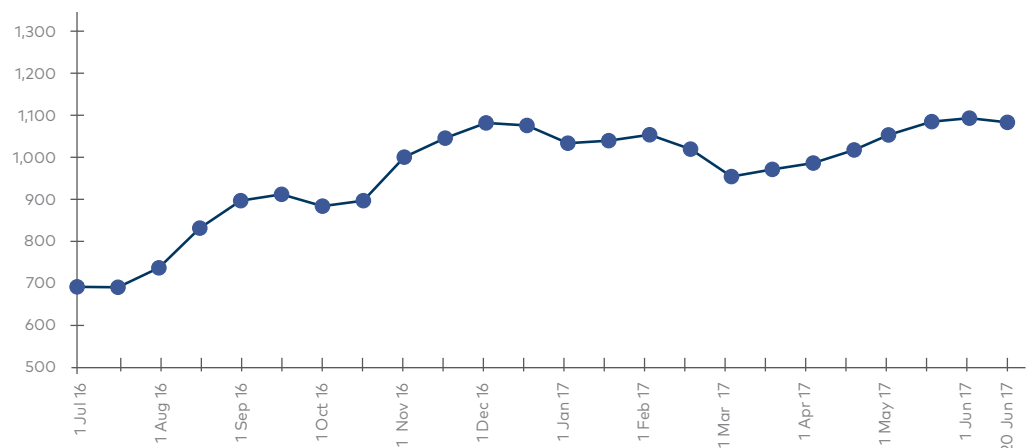


## GDT PRICE INDEX

June GDT results were fairly stable with a slight increase at TE 189 and a slight decrease in TE 190.

WMP decreased -3.3% to USD 3,022/MT, SMP increased slightly +1.4% to USD 2,218/MT.

AMF and butter prices both increased, up +4.4% to USD 6,885/MT and +2.9% to USD 5,768/MT respectively.



Data reflective as retrieved on 21 June 2017



# USDA, DAIRY OUTLOOK

Published June 2017

### Recent developments in Dairy Markets March 2017

USDA reported April 2017 milk production of 18.3 billion pounds, +2.0% above April 2016. Milk cow numbers increased to 9.39 million head, +8,000 head more than the previous month. Milk per cow averaged 65.0 pounds per day, +0.8 pounds higher than April 2016. The YOY growth rate for milk per cow is slowing.

Wholesale prices reported from April 29th to June 3rd in USDA National Dairy Products Sales Report increased for most dairy products, with the biggest increase in butter prices. The only price to decrease was dry whey, down -2.7 cents per pound. European export prices have also increased.

Domestic use increased +4.4% on a milk-fat milk-equivalent basis compared to April 2016. Commercial disappearance of butter was particularly strong in April, up +22.8% YOY. April commercial use decreased -0.6% on a skim-solids basis YOY.

US exports on a milk-fat basis were 724.0 million pounds, a decrease MOM for April but increase compared to April 2016. US exports on a skim-solids basis continued to grow with April exports of +3.467 billion pounds above both the previous month and year ago levels. Notable increases in NDM/SMP contributed to this with Mexico still the largest market.

Imports on a milk-fat basis increased +34.0 million YOY to 478.0 million pounds in April 2017. Imports on a skim-solids basis decreased -15.0 million YOY to 485.0 million pounds for April 2017.

Ending stocks remained high for April 2017 with YOY increases on a milk-fat and skim-solids basis. Butter stocks, however, are -3.5 million pounds less than April 2016.

This is the first month since March 2015 that butter stocks are below the previous year.

### Dairy forecasts for 2017

USDA Milk production forecast for the US for 2017 is 216.7 billion pounds, -0.2 billion pounds lower than last month's forecast. Milk cow forecast for 2017 has been raised to 9,395 million head, however, milk per cow has been lowered to 23,065 pounds per head.

On a milk-fat basis, USDA increased import forecast to 6.0 billion, due to higher expected imports of cheese and butterfat products, and decreased export forecast on a milk-fat basis to 8.4 billion pounds. USDA raised domestic use forecast on milk-fat basis to 213.1 billion as recent consumption and price data indicate stronger domestic demand. Ending stocks for the year on a milk-fat basis are forecast at 12.9 billion pounds, down -0.3 billion on last months forecast.

On a skim-solids basis, import forecast for 2017 is unchanged at 6.5 billion pounds. The export forecast has been raised to 40.8 billion pounds, based on higher expected exports of NDM/SMP. Domestic use forecast on skim-solids basis has been lowered to 181.0 billion pounds for 2017. Ending stocks on a skim-solids basis have been lowered to 9.9 billion pounds.

Product price forecasts for 2017 mostly increased due to lower than forecast production, high demand on a milk-fat basis and higher than expected exports on a skim-solids basis. Butter price forecast was raised substantially and price forecasts have also been raised for cheese and NDM/SMP. Dry whey price forecast has been slightly lowered.

### Dairy forecasts for 2018

USDA Milk production forecast for the US for 2018 has been lowered to 221.7 billion pounds. Milk cow numbers increased to 9.435 million head, however, milk per cow was lowered to 23,500 pounds.

On a milk-fat basis, USDA lowered import forecast for 2018 to 5.9 billion pounds. 2018 export forecast on a milk-fat basis was also lowered slightly to 8.6 billion pounds. Tighter supplies and higher prices are anticipated to weigh on domestic use on a milk-fat basis for 2018 and forecast has decreased to 218.9 billion pounds. Ending stock on a milk-fat basis has been lowered to 12.0 billion pounds for 2018.

On a skim-solids basis, USDA import forecast is unchanged at 6.4 billion pounds for 2018. The skim-solid basis export forecast has been raised to 41.3 billion pounds. Domestic use forecast for 2018 on a skim-solids basis has been decreased to 186.3 billion pounds. USDA forecast ending stocks for 2018 on a skim-solids basis decreased to 9.3 billion pounds.



# BLIMLING, FORECAST UPDATE

Published June 2017

Blimling's made some sizable revisions in their June Forecast Update, predicting that supply expansion and heavy inventories will temper upside but twitchy market psychology will help maintain a level of support.

Blimling call out 5 key themes impacting their evaluation: (1) European supply uncertainty with see-sawing production fuelling anxiety; (2) Inventory abundance including 800 million pounds of ageing SMP EU intervention stocks and heavy stockpiles of cheese in the US; (3) US demand has underperformed in 2017 which could restrain price appreciation; (4) Anxious end-users could influence market momentum; (5) 2018 budgets are being set which could lead to robust bids to support risk management.

In the cheese market, summer supply could limit upside (bar any summer heat events). Barrel prices continue to be weighed down by heavy supply.

Butter market will continue to be fuelled by anxiety. End-user demand and domestic and international supply concerns will keep the market excitable.

In the NDM market, buyers continue to purchase second half coverage, pressuring fresh product prices higher in the meantime. But, this is limited by sustained oversupply and seasonally stronger Oceania output.

Dry whey has sustained export strength, however, improved domestic supply dynamics knocked the market off recent highs. Blimling predicts modest price pressure in second half.

# INFORMA ECONOMICS, GLOBAL DAIRY REPORT

Published June 2017

Informa notes that the rise in global prices appears to be driven by demand. Prices continued to increase in May and the first half of June, even with supply higher than expected from EU and New Zealand milk production.

Informa notes downside risks to price with potential increases in supply, as profitable margins across the major exporters may garner a positive return and high prices may stymie demand.

Milk production has been stronger than forecast in New Zealand and EU. In New Zealand, cyclones that prompted buyers to enter the market had less impact than predicted. US production maintains forecast +2% increase.

Informa notes imports were down in April and below forecast.

Informa increased their Chinese demand forecast. Chinese imports were up a strong +24% in April and forecasts for growth in May look strong.

Cheese prices have rallied for EU/Oceania but backtracked for the US market. Informa have raised their butter forecast following the sharp increase in prices, and with global butter stocks at a 10+ year low, they predict there is limited downside risk to the high prices in the near term. Whilst SMP prices climbed recently, the upside looks limited with buyers having added coverage and SMP stocks coming out of intervention. EU WMP price is up sharply with some tightness in supply, but fundamentals are bearish outside EU. WMP imports are down -5.9% and production for next season in Oceania is looking strong. Dry whey prices diverged sharply.



## GLOSSARY

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

**AMF** Anhydrous Milk Fat

**BMP** Butter Milk Powder

**CME** Chicago Mercantile Exchange

**EIU** Economist Intelligence Unit

**FAO** United Nations Food and Agriculture Organisation

**Farmgate Milk Price** The price for milk supplied in New Zealand to Fonterra by farmer shareholders

**Fluid and Fresh Dairy** The Fonterra grouping of fluid milk products (skim milk, whole milk and cream pasteurised or UHT processed), concentrated milk products (evaporated milk and sweetened condensed milk) and yoghurt

**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** Global Dairy Trade 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 (this is data averaged across the 12 month period)

**MEA** Middle East and Africa

**NDM** Non-fat Dry Milk

**NZX** NZ Stock Exchange

**OECD** Organisation for Economic Co-operation and Development

**Q[1]** [First] Quarter

**Reference Products** The dairy products used in the calculation of the Farmgate Milk Price, which are currently WMP, SMP, BMP, butter and AMF

**SEA** South East Asia

**Season** New Zealand: A period of 12 months to 31 May in each year. Australia: A period of 12 months to 30 June in each year.

**SMP** Skim Milk Powder

**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

**WMP** Whole Milk Powder

**YOY** Year-on-year

**YTD** Year to date

### Tracking the global dairy market Production, Export and Import charts

The production, export and import charts illustrate year-on-year changes in production, exports and imports for a range of countries that are important players in global dairy trade.

The absolute size of the bars represents the change in production, exports or imports compared to the same month the previous year. The portion of the bar below zero represents a year-on-year decrease and the portion above the line shows the year increase for that country. Where countries are not shown this is likely due to the data not yet being available.

### Weather Source (Page reference – 11)

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.





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 Co-operative 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.