World Dairy Trade:
Analysis & Expectation

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Global milk output increases y.o.y. at faster path

- More than **9 mm ton milk** expected in 2012 on top vs. p.y.
- Oceania and Argentina are fast growing areas
- EU is preparing Quota system abolition

World Milk Production/Deliveries ('000 Ton)						
Country	2009	2010	2011	2012 (Jan-Jun)	*± % from 2011*	*± % from 2010*
EU-27	133.534	135.501	138.267	71.923	*+1,9%*	*+4,0%*
USA	85.875	87.462	89.016	46.494	*+3,6%*	*+5,5%*
New Zealand	16.934	17.123	18.915	8.231	*+11,2%*	*+24,8%*
Australia	8.783	8.794	8.995	4.032	*+5,2%*	*+6,1%*
Argentina	9.026	9.255	10.433	5.054	*+8,6%*	*+23,7%*
Ukraine	11.604	11.254	11.094	5.517	*+2,9%*	*+0,5%*
Total	**265.756**	**269.389**	**276.719**	**141.252**		
Change[1] %		+1,37%	+2,72%	+3,32%		

1) Variation from the same period of previous year

Source **Milk Production/Deliveries:**

- **Europe EU-27:** Eurostat
- **USA:** NASS - National Agricultural Statistics Service
- **New Zealand:** DCANZ - Dairy Companies Association of New Zealand
- **Australia:** Dairy Australia
- **Argentina:** SAGPyA - Alimentos Argentinos Ministerio de Economia

Global demand is growing faster than offer (in %)

- 2012 Traded volumes expected to increase by **2.6 mm ton** vs. p.y.
- Cheese more attractive than commodities (higher global welfare?)

World Export (Milk Equivalent in '000 Ton)

Dairy Product	2009	2010	2011	2012 (Jan-Jun)	± % from 2011	± % from 2010
CHEESE	11.521	12.754	13.385	7.161	*+9,7%*	*+15,2%*
WMP	18.748	20.160	22.015	11.890	*+1,8%*	*+17,0%*
SMP	12.356	14.356	16.891	9.170	*+7,2%*	*+37,1%*
Total	**42.625**	**47.271**	**52.292**	**28.220**		
Change[1] %		+10,90%	+10,62%	+5,48%		
BUTTER ('000 Ton) *	731	681	674	363	*+4,8%*	*+8,6%*

1) Variation from the same period of previous year
* The butter is not considered in the calculation of milk equivalent being a byproduct.
Exporting countries monitored are EU-27, United States, New Zealand, Australia, Argentina, Ukraine
NOTE: It is assumed that, for each 100 kg of whole milk, the average yield of Cheese is 10.98 kg, of WMP is 8.26 kg and of SMP is 8.86 kg.

Source: Processed by CLAL on GTIS data

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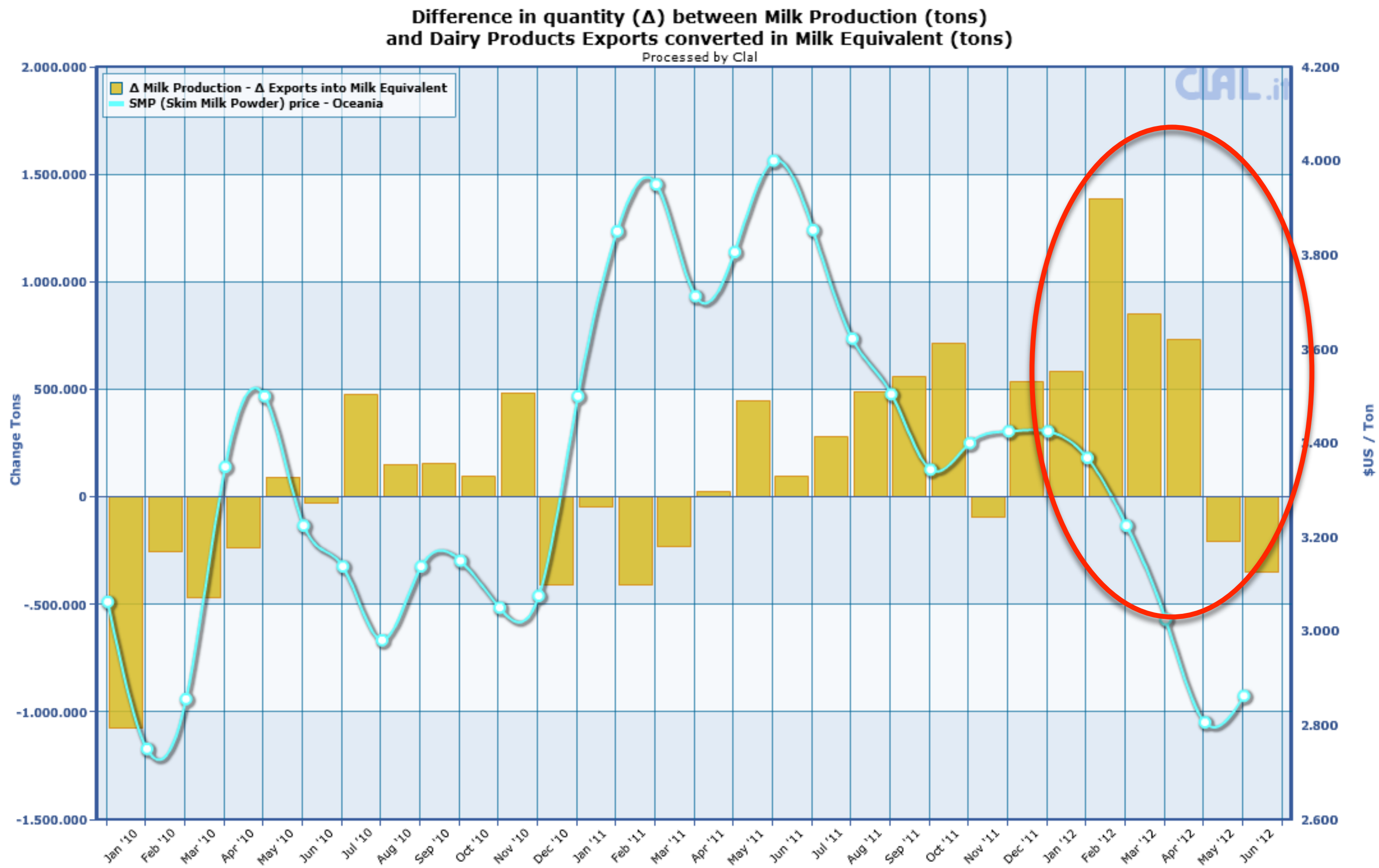
1H12 prices back to 2010 levels

- Jan-Jun consolidated D/S balance is on supply side



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Demand / Supply balance at first glance

- Given size of volume increase for both demand and supply in 1H12

Global market sounds to be well balanced with no shortage risks.

Global prices (therefore local markets) to ease back to 2010 level

but…

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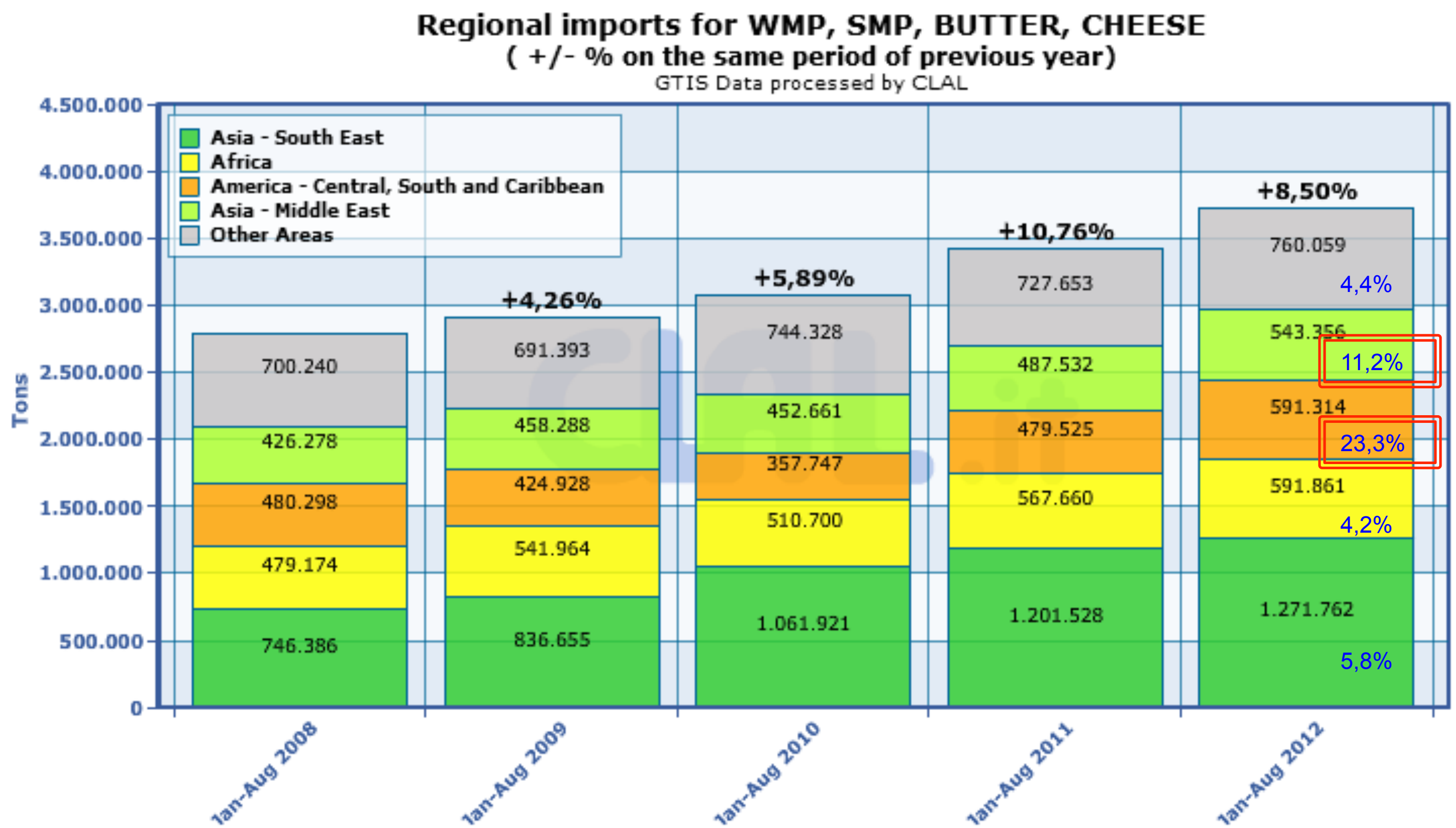
Some boosting Areas ringing an ALERT on trade

- China has nearly doubled demand over 5 years
- S.America and Middle East booming in 2012



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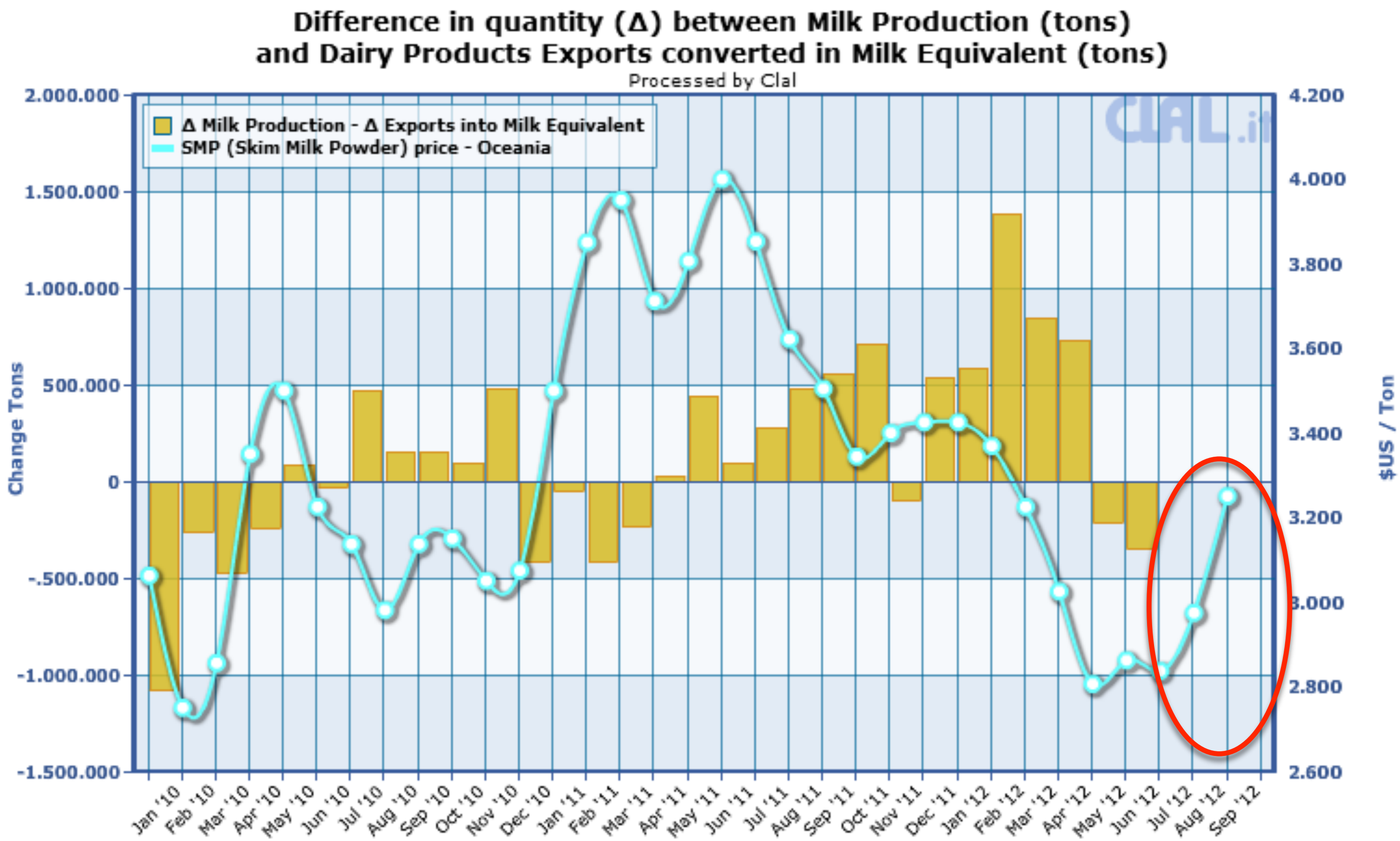
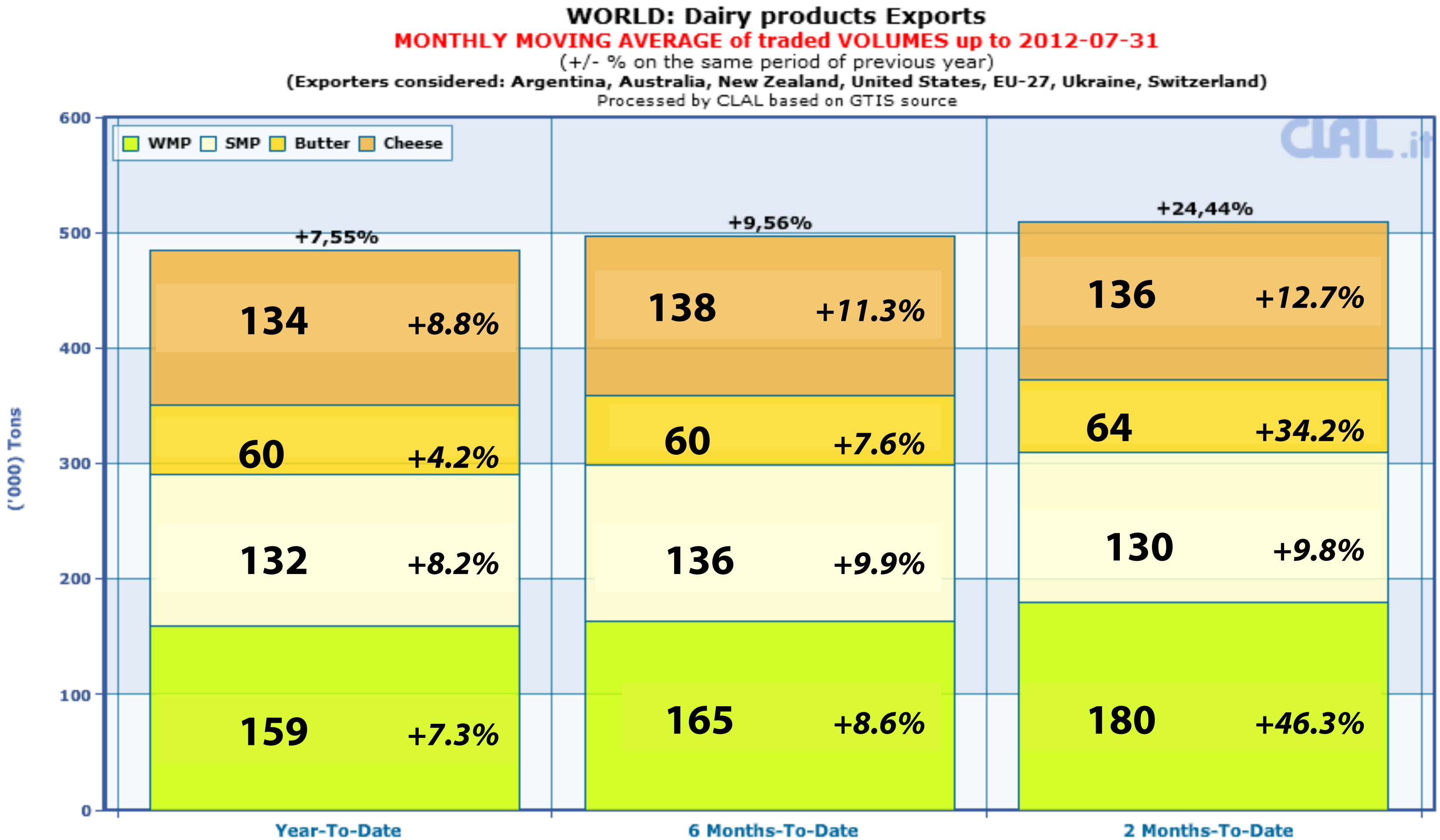
July-August market prices recovering at high speed

- What's unexpectedly new in the market?



Global Demand is boosting in last couple of months

- Moving averages measuring Demand acceleration



July data update: Total demand volume now expected up by further 2.2 mm ton

- China is very much back on WMP
- All dairy prods in tension

WORLD EXPORT							
Product	Export 2011 (Ton)	% from World Total Export	Export * change %		Export * Projection 2012 (Ton)	Δ Export (Ton)	Δ Export (Milk equivalent in Ton)
CHEESE	1.469.712	75,2%	10.4 % (Jan-Jul '12)	9,7% Jan-Jun	1.622.562	152.850	1.392.076
WMP	1.818.466	89,0%	9.3 % (Jan-Jul '12)	1,8% Jan-Jun	1.987.583	169.117	2.047.425
SMP	1.496.579	92,4%	8.2 % (Jan-Jul '12)	7,2% Jan-Jun	1.619.298	122.719	1.385.095
BUTTER	674.060	90,7%	8.84 % (Jan-Jul '12)		733.646	59.586	0
			9,24 %	Milk equivalent Export change compared to 2011			4.824.598

Source **Export**: GTIS

Players which have been considered are EU-27, United States, New Zealand, Australia, Argentina, Ukraine

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Milk output in July is hugely lowering total figure

- Yearly figure now expected down by 0,6 mm ton vs Jan-Jun exp.

Major MILK PRODUCING players					
Country	Milk production 2011 (Ton)	Milk production * Change %		Milk production * Projection 2012 (Ton)	Δ Production (Ton)
Europe EU-27	138.267.241 (c)	1.6 % (Jan-Jul '12)	1,9% Jan-Jun	140.479.516	2.212.275
USA	89.016.200 (p)	2.77 % (Jan-Aug '12)	3,2% Jan-Jun	91.481.948	2.465.748
New Zealand	18.915.000 (p)	11.43 % (Jan-Jul '12)	11,2% Jan-Jun	21.076.984	2.161.984
Australia	8.994.568 (p)	4.95 % (Jan-Jul '12)	5,2% Jan-Jun	9.439.799	445.231
Argentina	10.432.687 (c)	8.13 % (Jan-Jul '12)	8,1% Jan-Jun	11.280.864	848.177
Ukraine	11.093.500 (p)	2.67 % (Jan-Jul '12)	2,7% Jan-Jun	11.389.696	296.196
	276.719.196	3,05 %		285.148.810	
				Milk Production change compared to 2011	8.429.614

(p)= Milk Production; (c)= Milk Deliveries

Source **Milk Deliveries/Production**:
- **Europe EU-27**: Eurostat
- **USA**: NASS - National Agricultural Statistics Service
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Is this trend going to be confirmed?

Global Markets turning into balanced situation now

- During summer demand continued to increase while production slowed down
- Trend not affected by huge climatic events: is this trend structural?

- Global markets now much more balanced;
- Seasonal trends will be immediately reflected in pricing.
- Global prices (therefore local markets) to stay firm at current level (if not temporary higher) at least till next spring

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