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Agricultural Outlook Forum
U.S. Department of Agriculture

Presented: March 1-2, 2007

OUTLOOK FOR THE GLOBAL SMP MARKET

Rick Walker



Outlook for the Global SMP Market

USDA Agricultural Outlook Forum
March 2007



Dairy for life

Fonterra

Where are we today?

- Co-operative owned by 11,000 supplier shareholders
- 3,000 customers across more than 100 markets
- Receive supplies from 130 factories across eight countries
- Fonterra processes nearly 20 billion litres of milk annually
- Employs 17,500 people worldwide



Key message for today

THINGS ARE LOOKING GOOD !



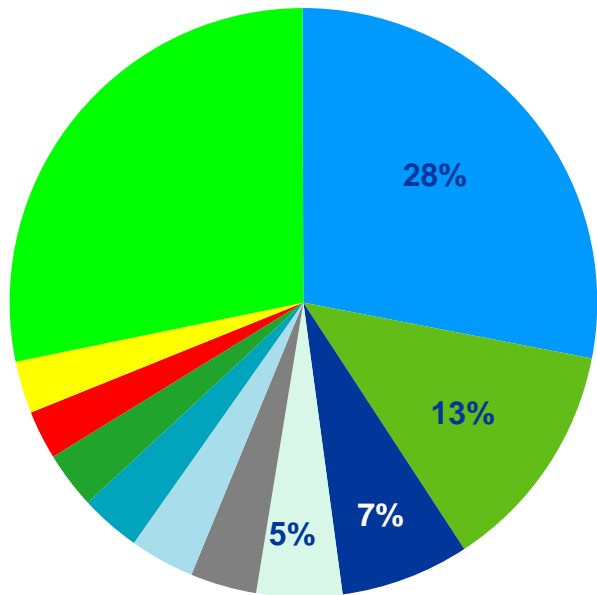
Dairy for life

Background

How big is the global SMP market?

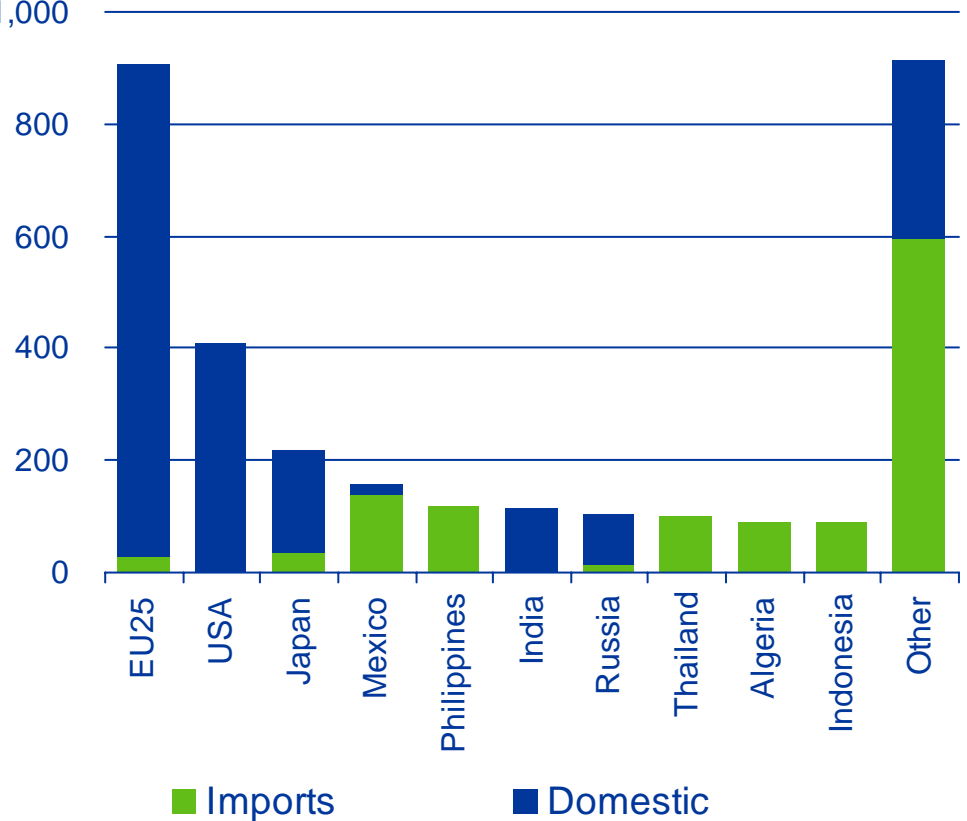
Global SMP Market
Volume 2004

SMP Demand by Market
2004 – 3,225k MT



- EU25
- USA
- Japan
- Mexico
- Philippines
- India
- Russia
- Thailand
- Algeria
- Indonesia
- Other

Vol (k MT)
1,000



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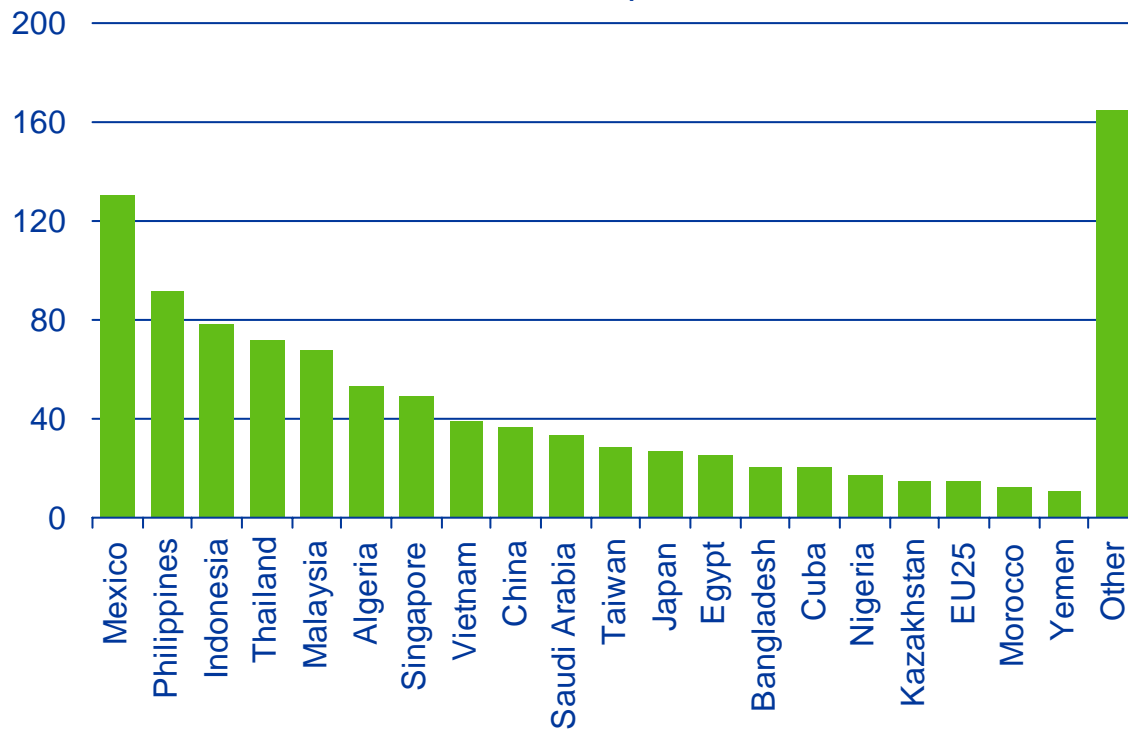
Background

Globally traded SMP a third of the market

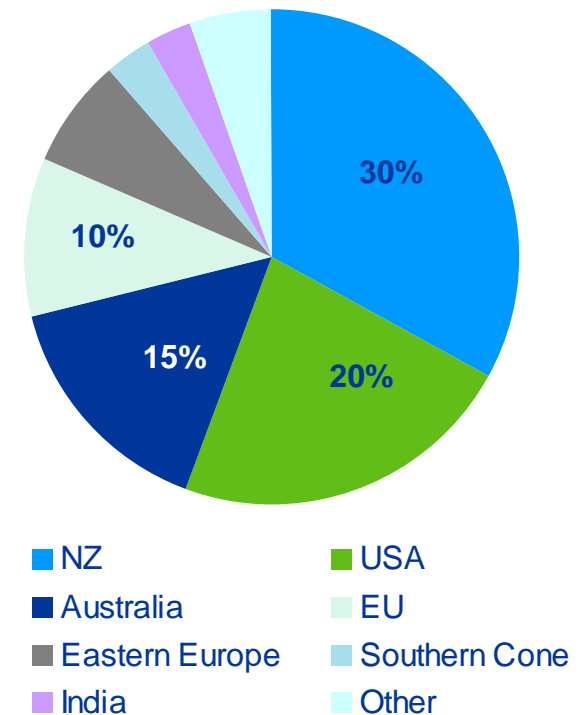
SMP Import Markets

Volume 2005 = 1,009k MT

Vol (k MT)

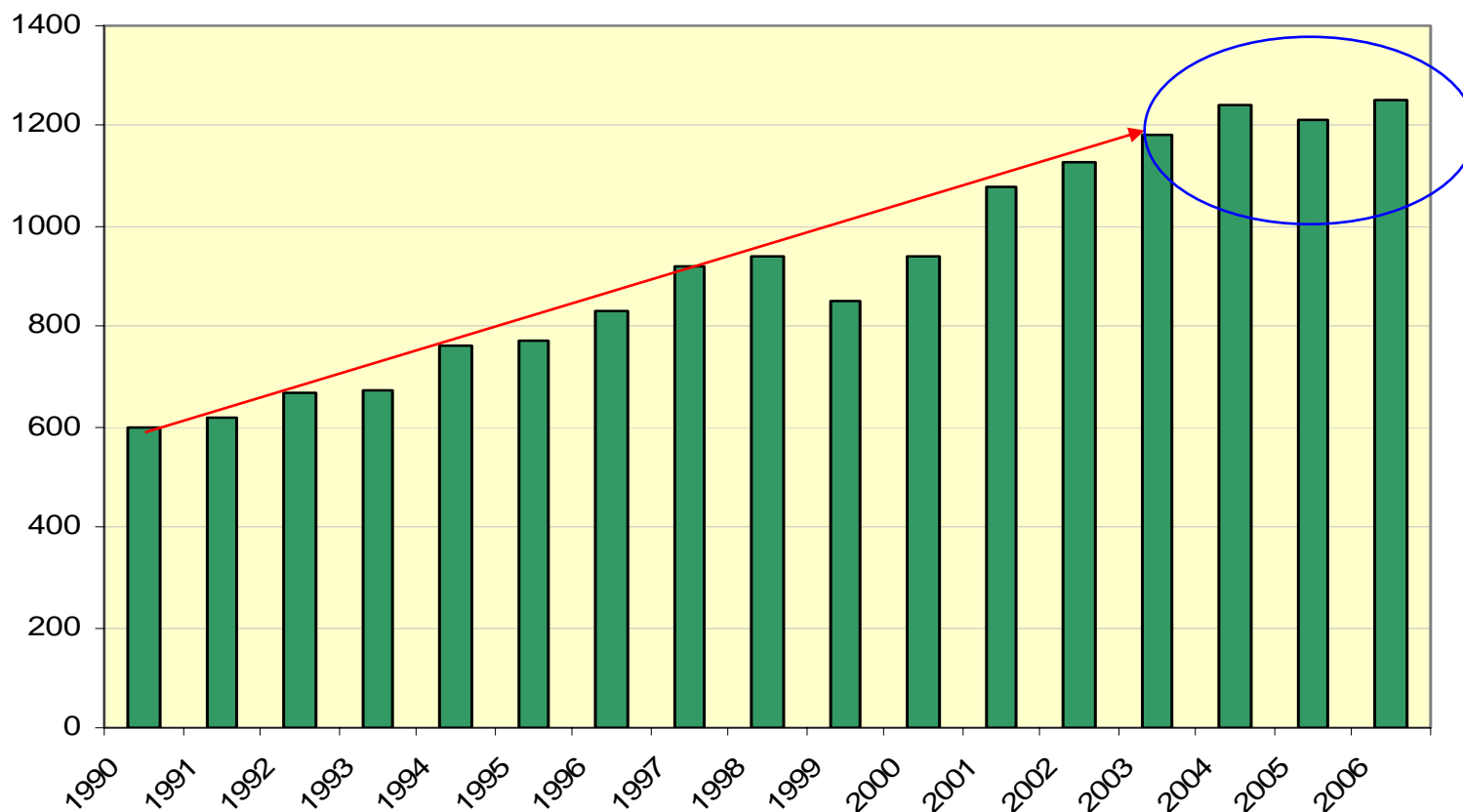


Regional share of SMP Exports



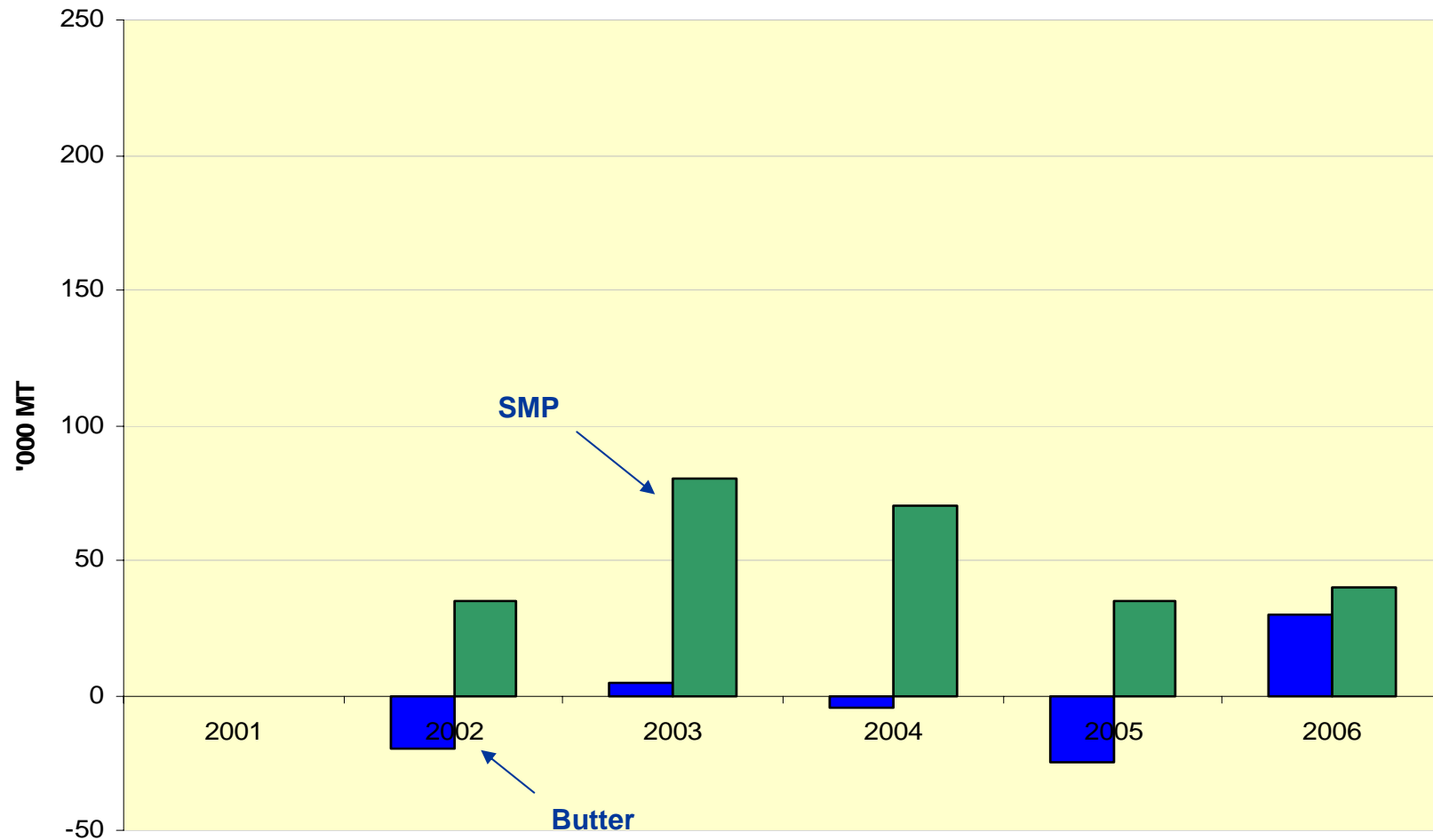
New Zealand Milk production growth is slowing

NZ milk production (kg/ms '000)



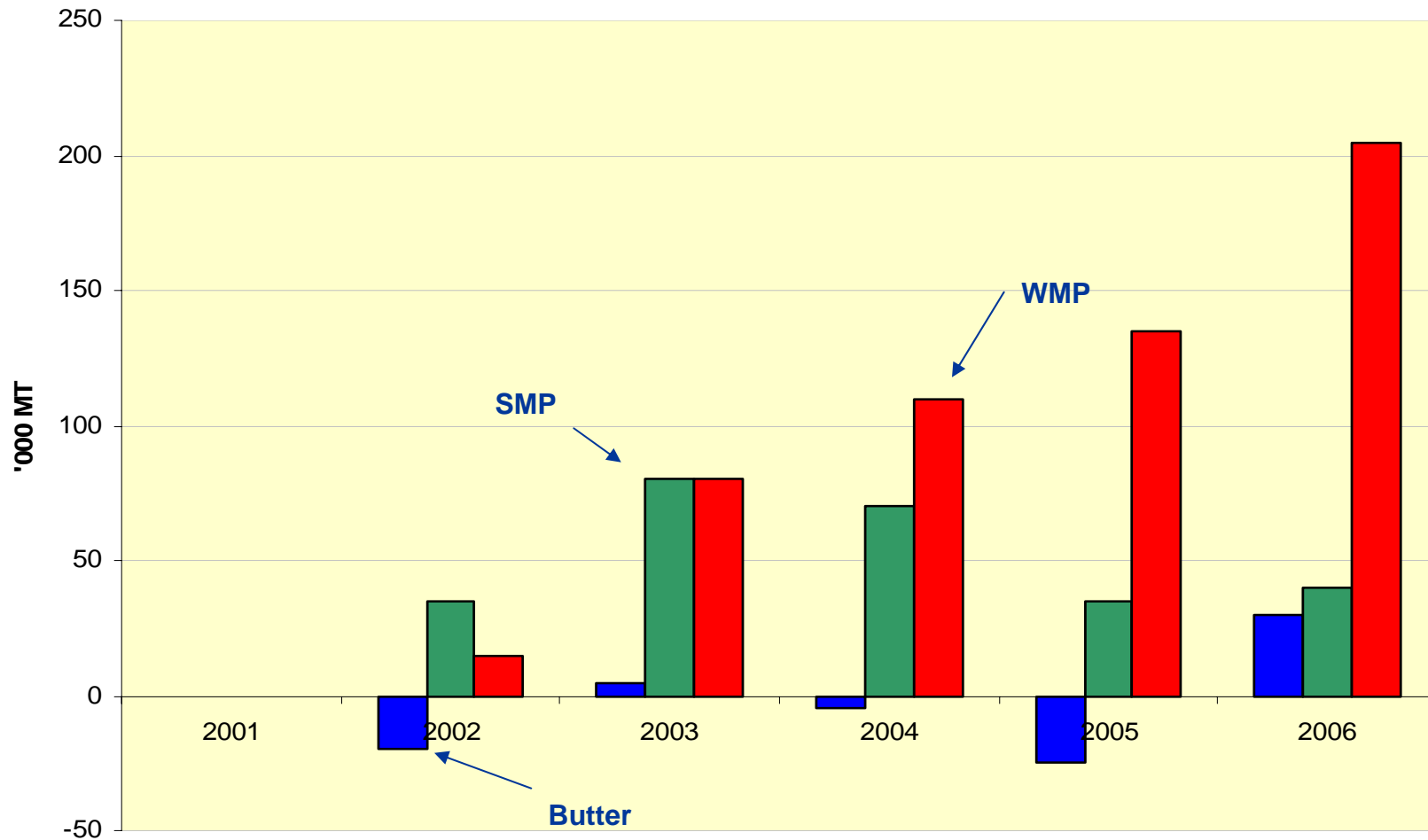
Dairy for life

New Zealand Our product mix is changing



Dairy for life

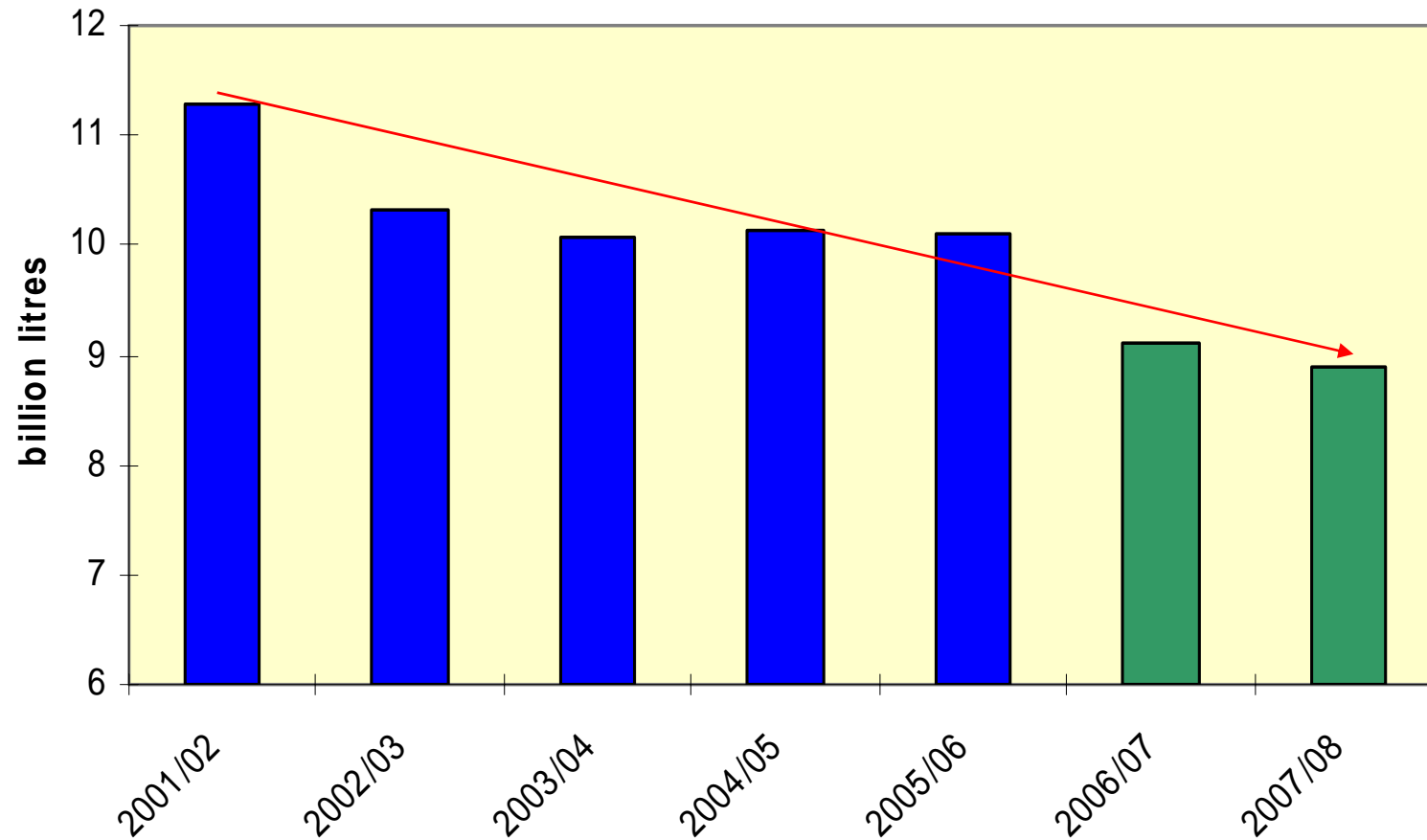
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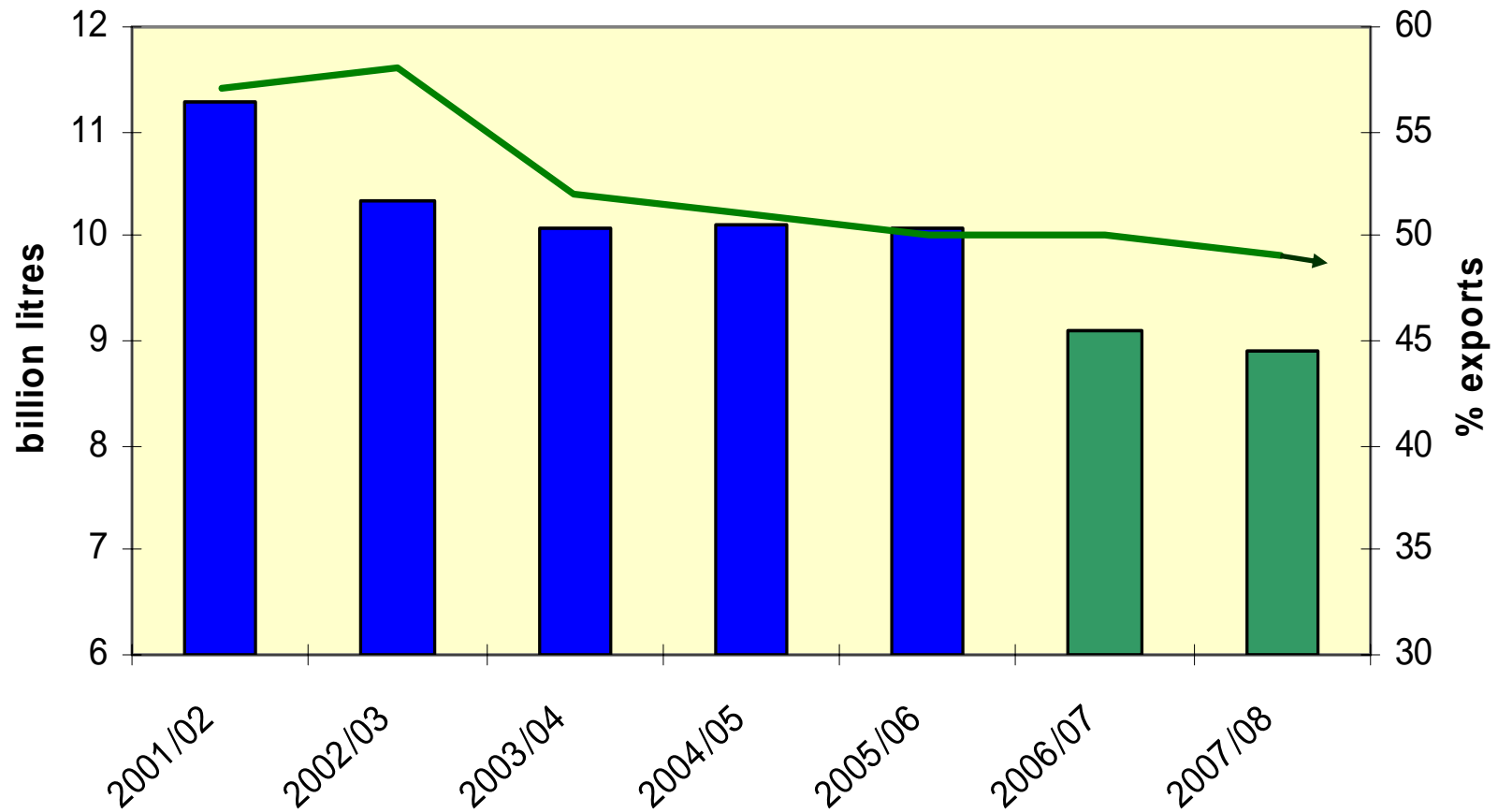
Australia

Heavily climate dependant



Australia

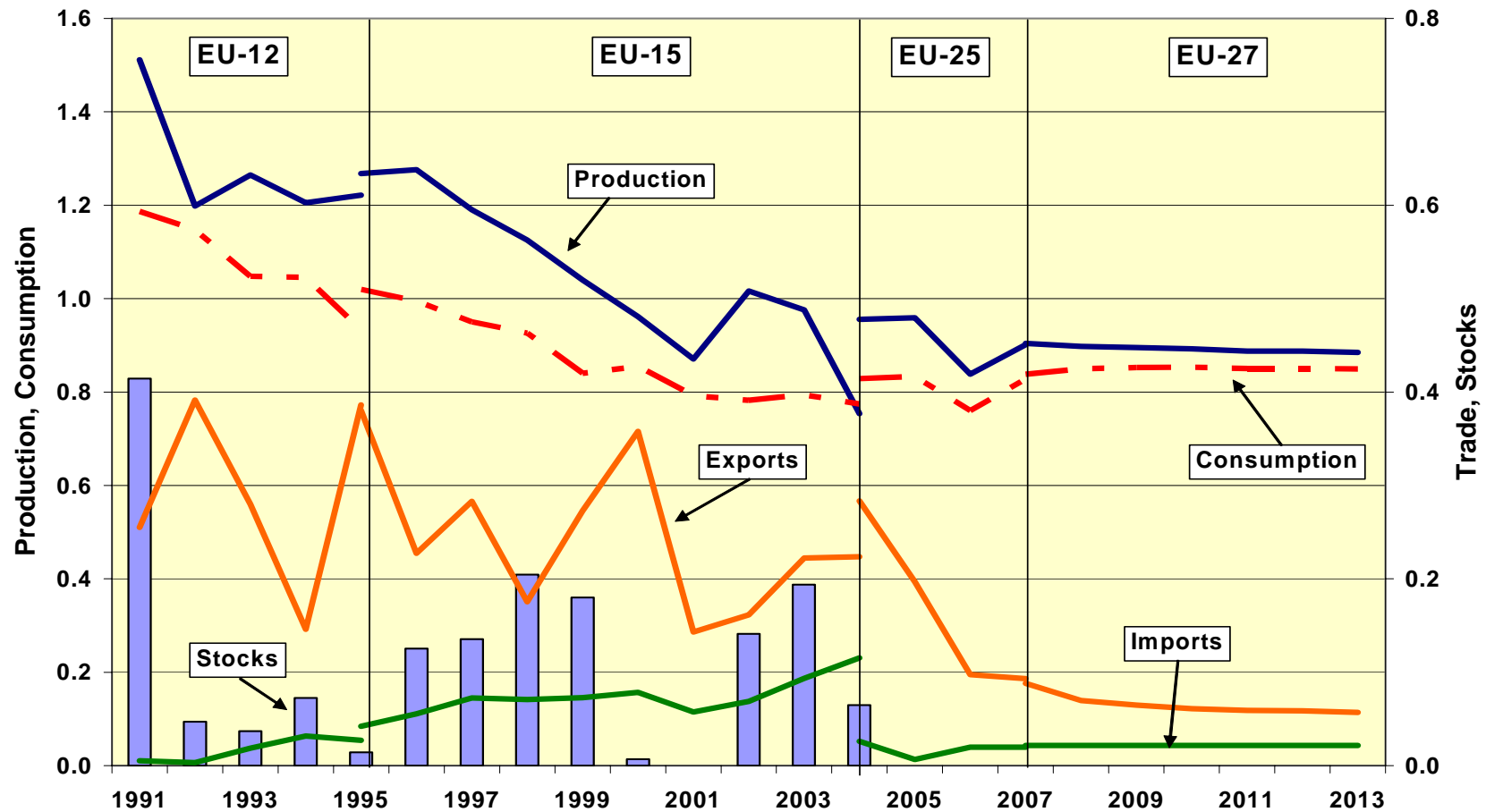
Heavily climate dependant



Dairy for life

Europe

A market and industry in transition



Europe SMP balance sheet

'000 MT	2004	2005	2006*	2007*
Production	1 084	1 110	1 000	1 020
Imports	26	7	20	20
Available	1 390	1 234	1 090	1 090
Consumption	990	970	950	930
- in food	567	600	600	600
- for feed	423	370	350	300
Exports	283	194	90	120
Ending stocks	117	70	50	40
- in intervention	64	8	0	0

Europe SMP balance sheet

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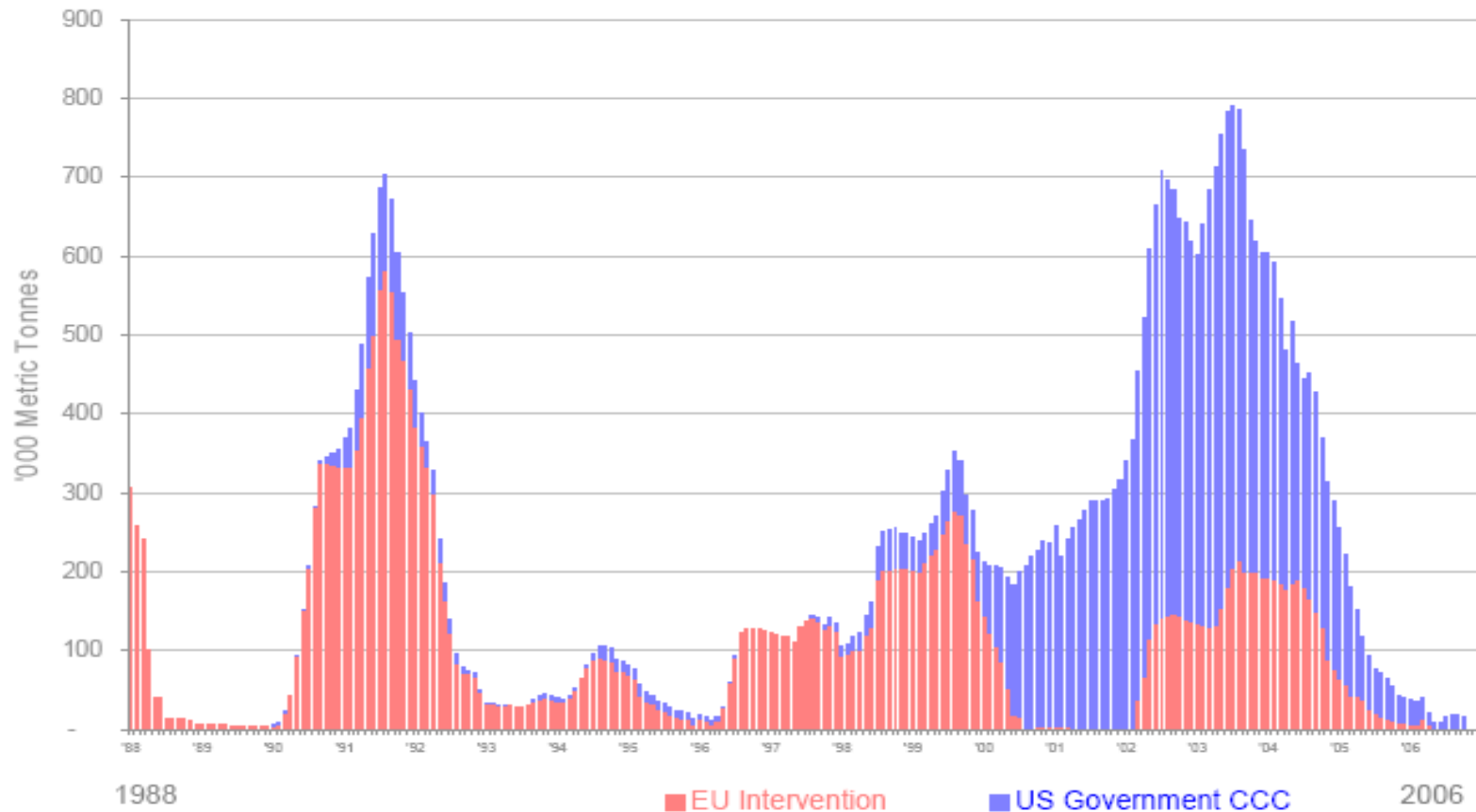
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Government Stock A shrinking buffer tank

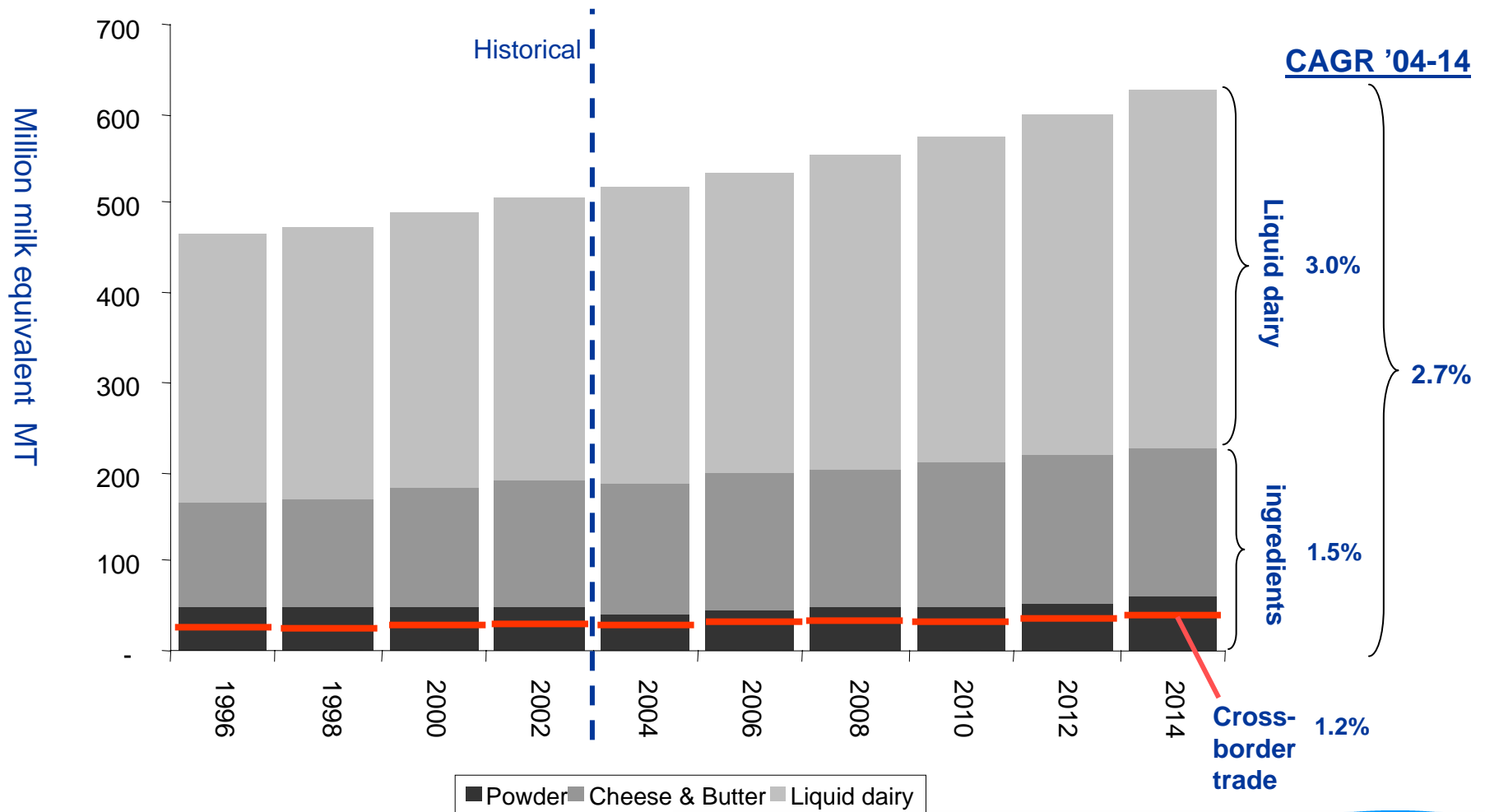
EU / USA GOVERNMENT STOCKS of SMP 199- 2006 (Charts provided by ADPC / Oak Trading Group)



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Global demand

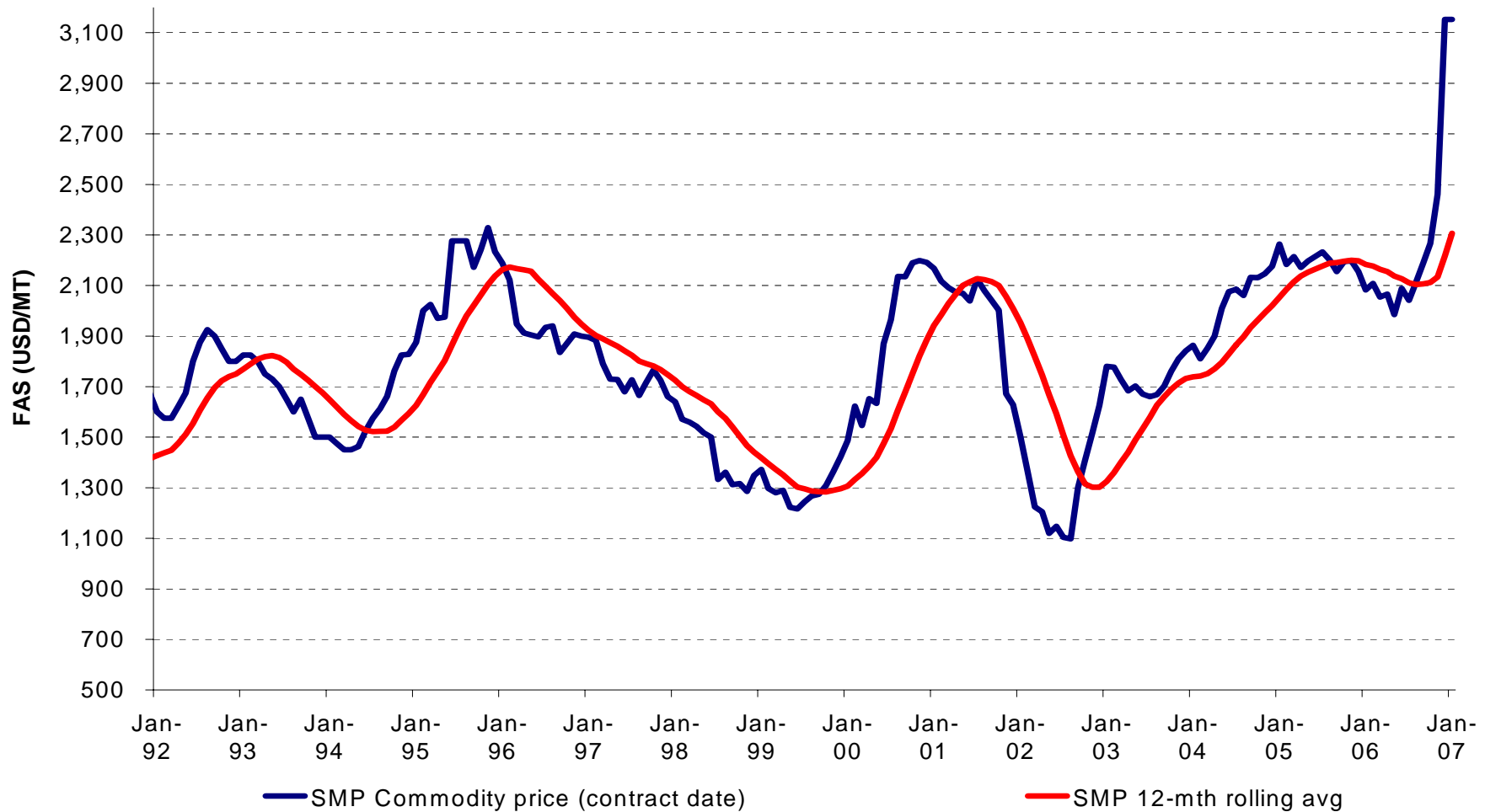
The prospects for growth are solid



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SMP pricing

We are entering uncharted waters



Conclusions

Things are looking good

- Supply factors are dominating the international dairy market landscape
- Inventories are under control
- Demand remains strong
- Globally traded prices will be firm through 2007
- The test is whether new the market dynamics are sustainable

A photograph of three children running on a beach at sunset. The child in the foreground is a young boy with freckles, smiling broadly. Behind him are two girls, one in a red bikini and another in a red and white outfit, also smiling. The background shows the ocean and a bright sunset sky.

Thank you