The milk package and the prospects for the dairy sector

Theme 2: Prospects for the dairy sector

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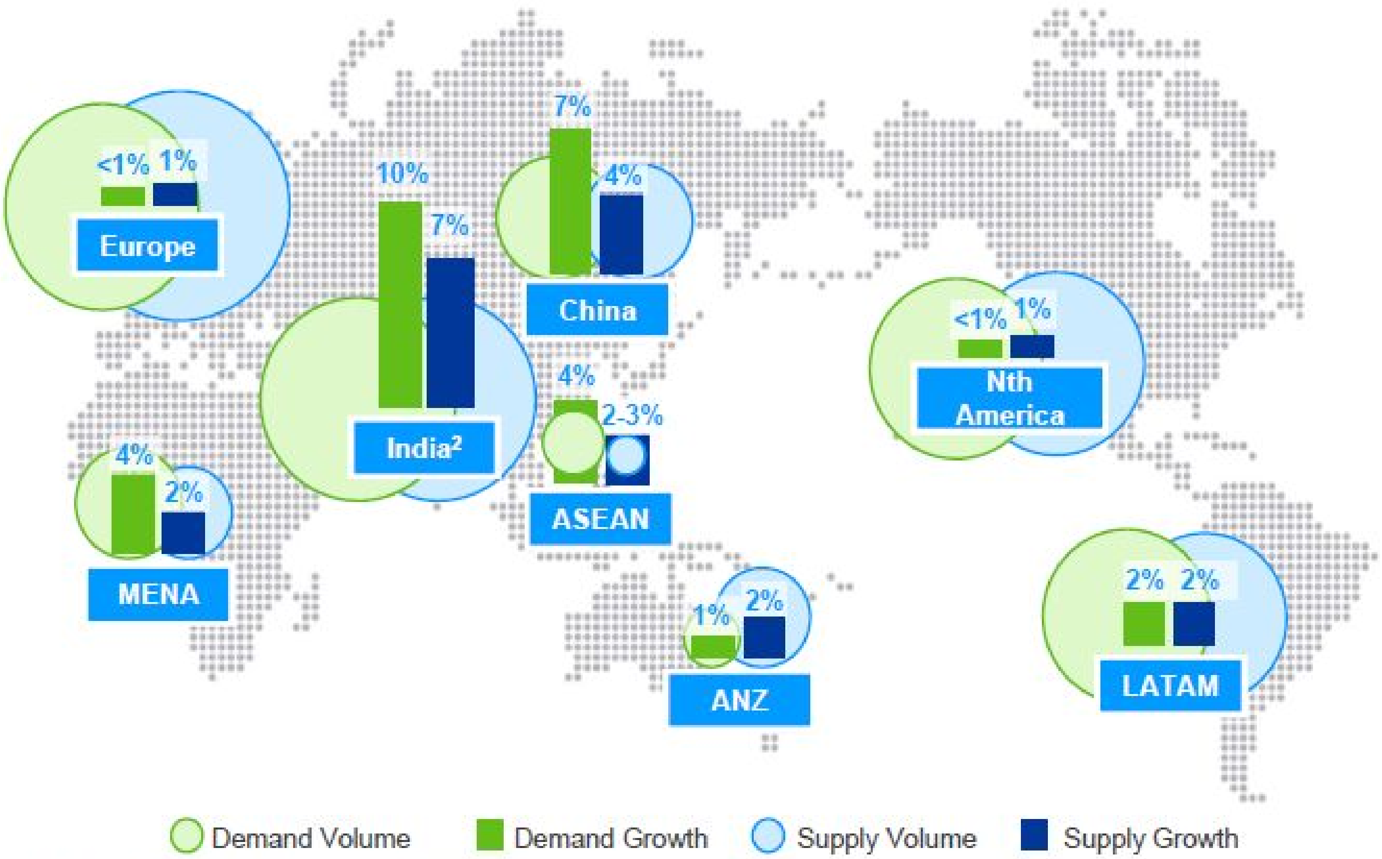
Outline

1. After-quota scenarios and access to credit
2. Opportunities and risks of exports
3. Milk production in disadvantaged regions
4. Crisis management, milk market regulation and the Canadian support system

1. After-quota scenarios and access to credits

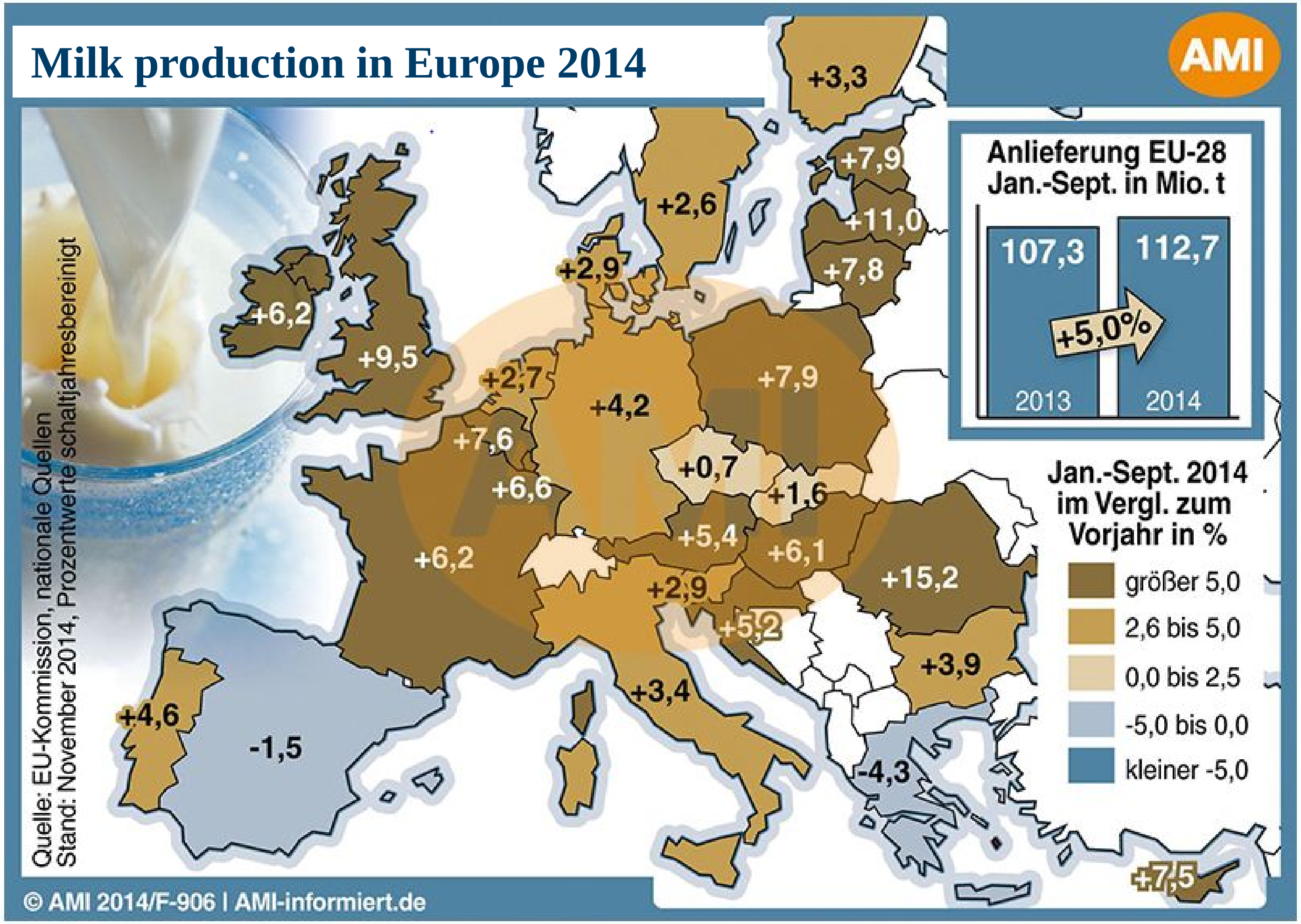
Outlook to 2020[1]



1. Current volumes are represented by the area of the circles displayed. Growth rates represent forecast compound annual growth rates.
2. Although strong growth in demand is expected in India, the ability to supply is likely to remain limited. In the 12 months to May 2012, Fonterra exported 22,300 MT of product to India and total imports represented approximately 0.2% of consumption.

(Source: Fonterra 2013)

1. After-quota scenarios and access to credits



(Source: DBV 2014)

New Zealand:
+ 10-11 %

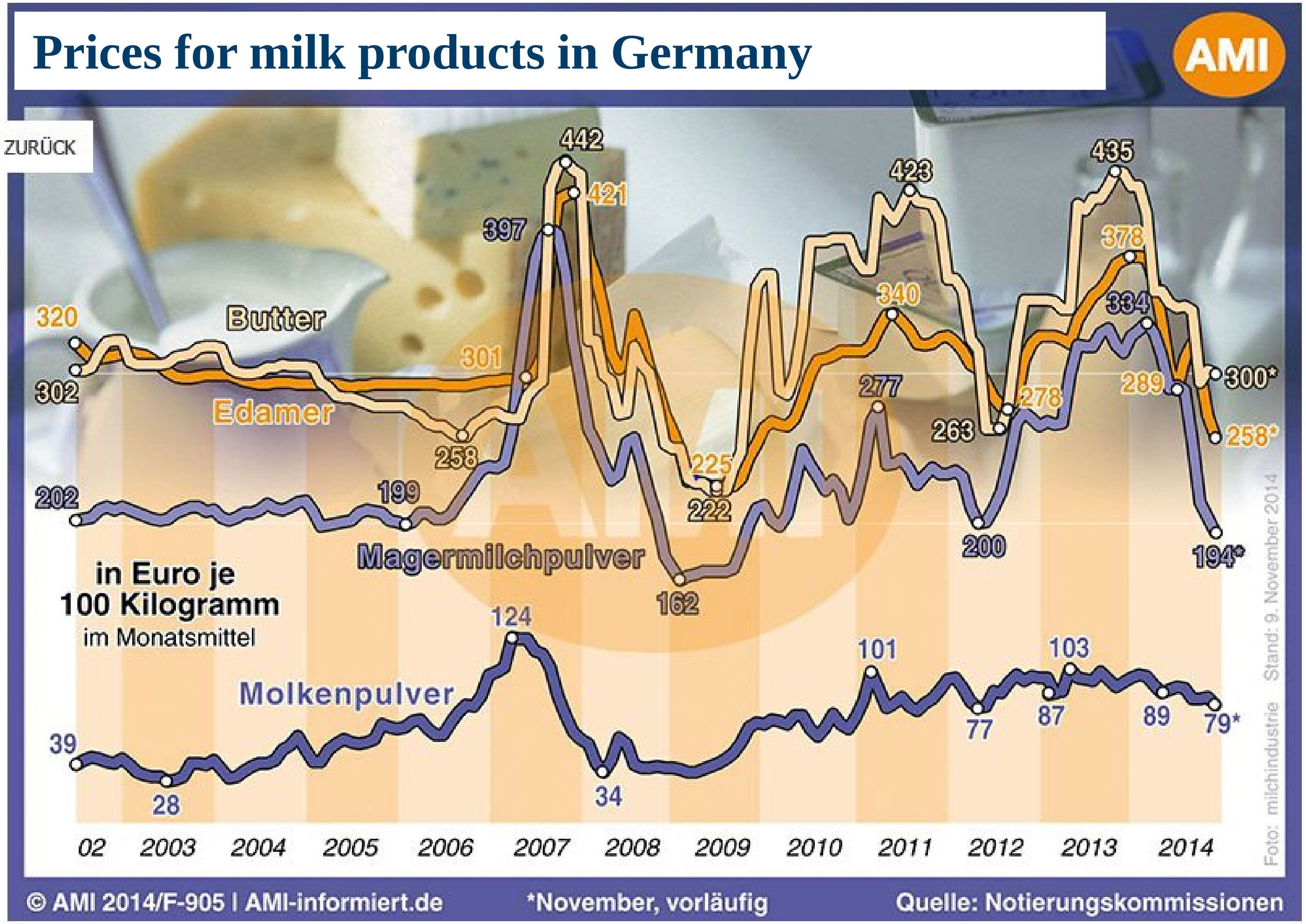
USA:
+ 2-3 %

Australia:
+ 0,5-1 %

<u>EU: + 5 %</u>

Σ: + 8 bill. kg

1. After-quota scenarios and access to credits



(Source: DBV 2014)

2. Opportunities and risks of exports

Opportunities:

•Growing demand for high-quality, safe dairy products

•Europe as a preferred supplier; higher prices

•Keeps EU dairy farmers in business

Risks:

•Price volatility; non-tariff trade barrieres; exchange rates

3. Milk production in disadvantaged regions

- Not an issue of general milk market regulation
- Are there more appropriate products (e.g. extensive beef production)?
- CAP: 2nd pillar

4. Crisis management and milk market regulation

Table 1. Near-identical decline in U.S. and Canada

Number of Dairy Farms

	U.S.	EU-15	CA	NZ
'92	170,500	1,018,077	31,200	14,458
'00	105,055	690,140	19,411	14,025
'09	65,000	397,435	13,214	11,638
'92-'09	**-62%**	**-61%**	**-58%**	**-20%**

Source: IDFA

Milk Equivalent Imports as a Percentage of Domestic Milk Production

	US	Canada
1996	4%	8%
2000	4.5%	15%
2009	3%	24%

Source: IDFA

Thank you very much for your attention!

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