



Outlook for the Global SMP Market

USDA Agricultural Outlook Forum
March 2007



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



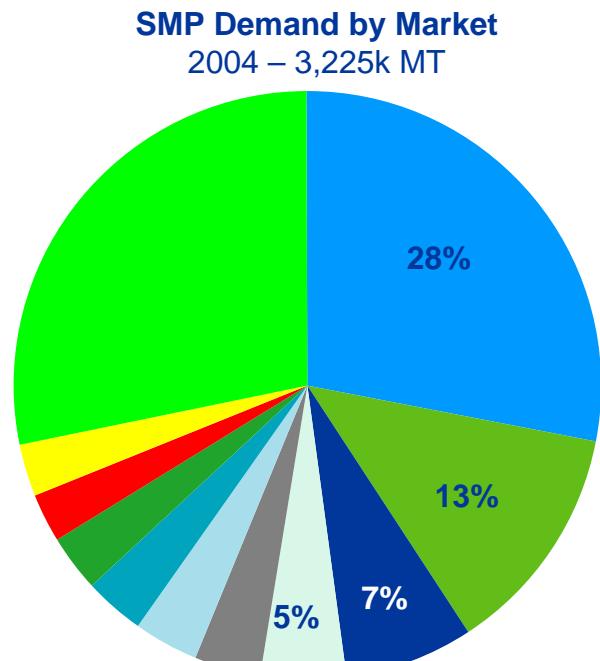
Key message for today

THINGS ARE LOOKING GOOD !



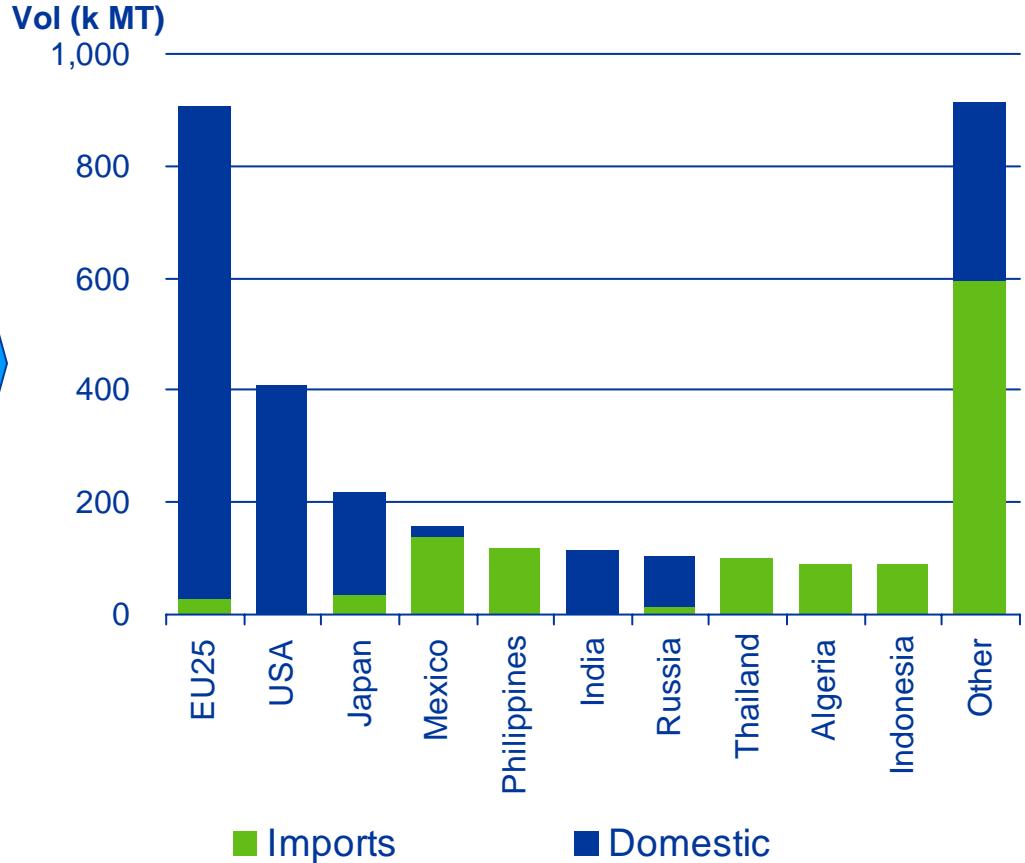
Background

How big is the global SMP market?



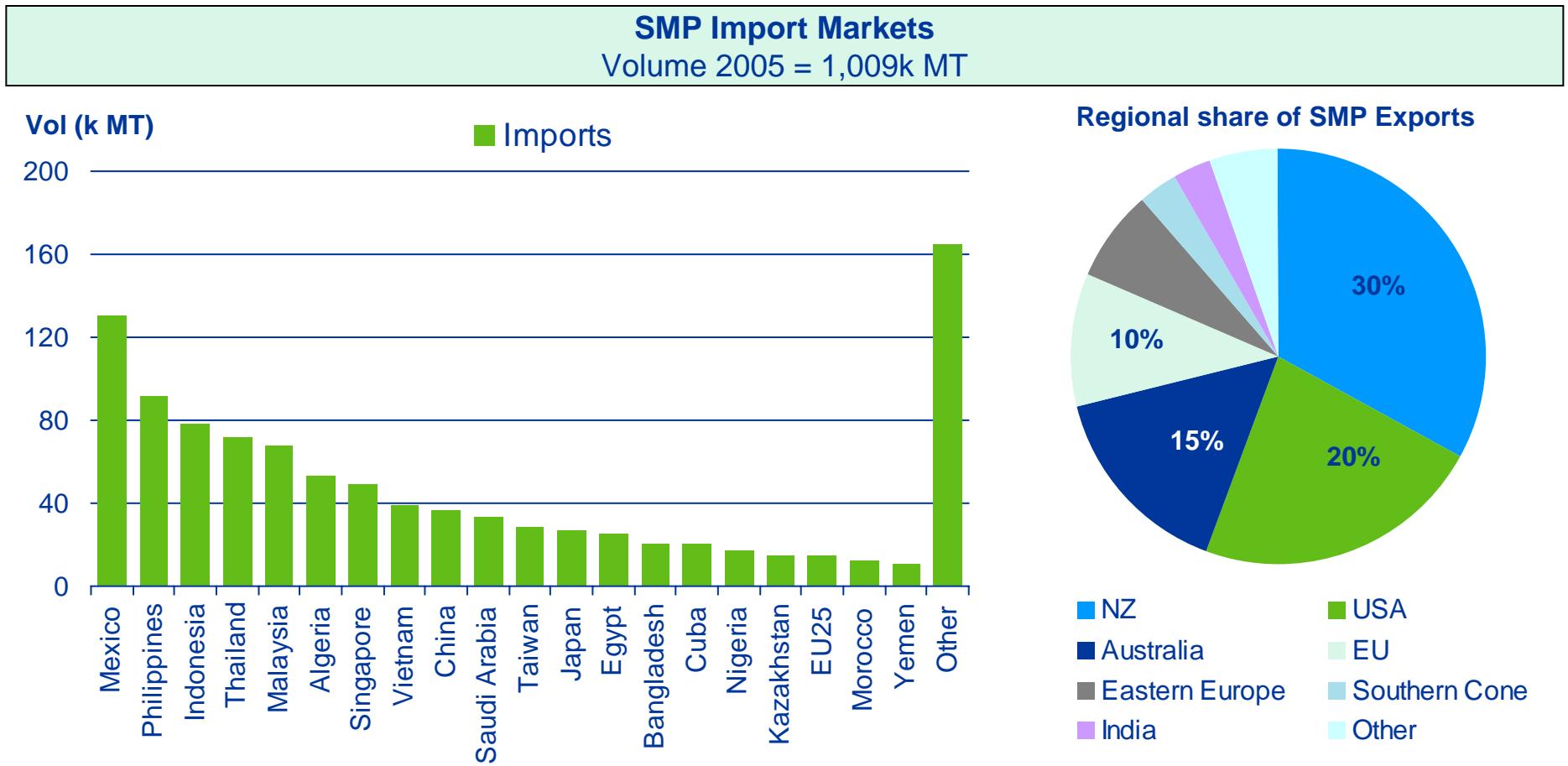
■ EU25
■ Mexico
■ Russia
■ Indonesia
■ USA
■ Philippines
■ Thailand
■ Other
■ Japan
■ India
■ Algeria

Global SMP Market
Volume 2004



Background

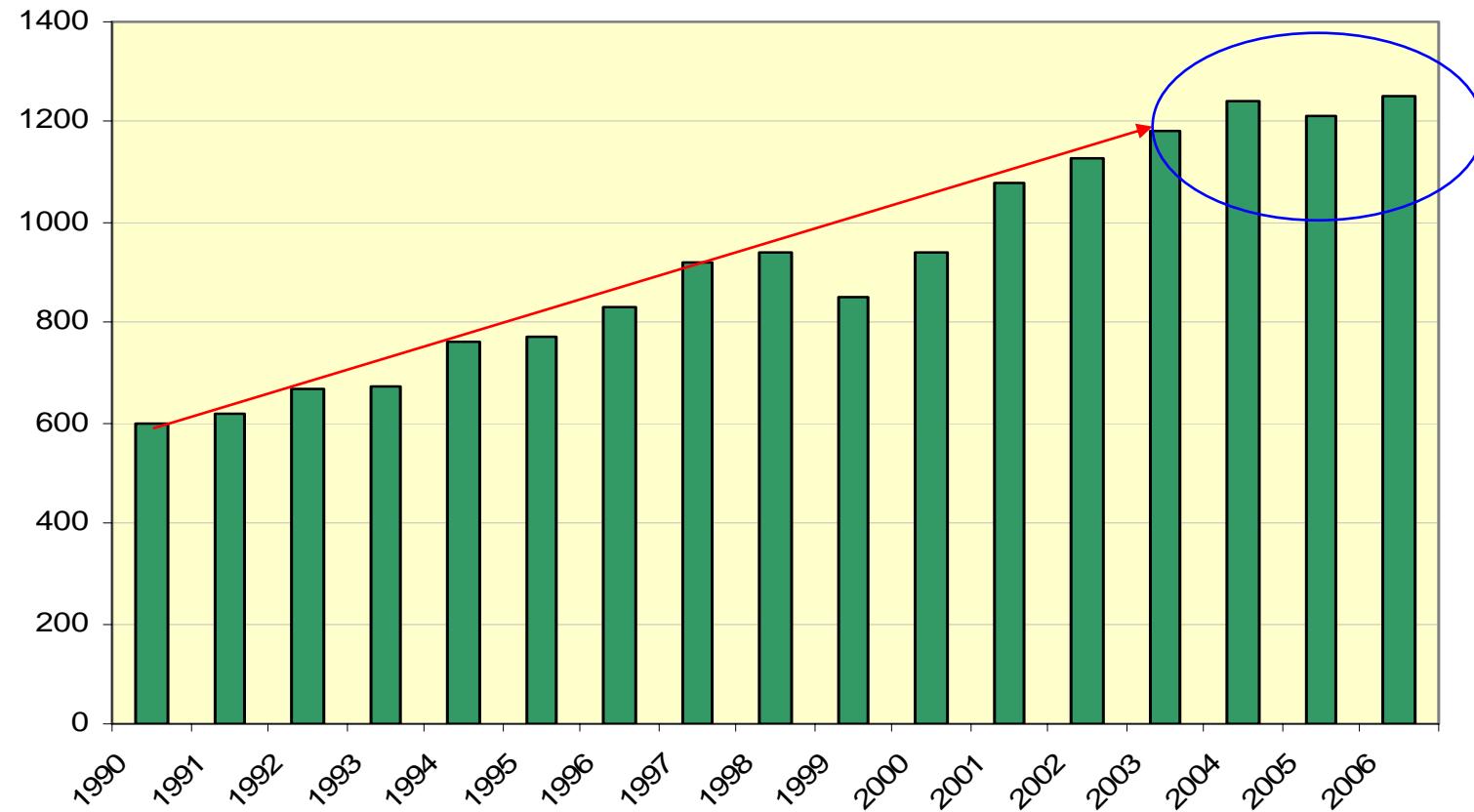
Globally traded SMP a third of the market



New Zealand

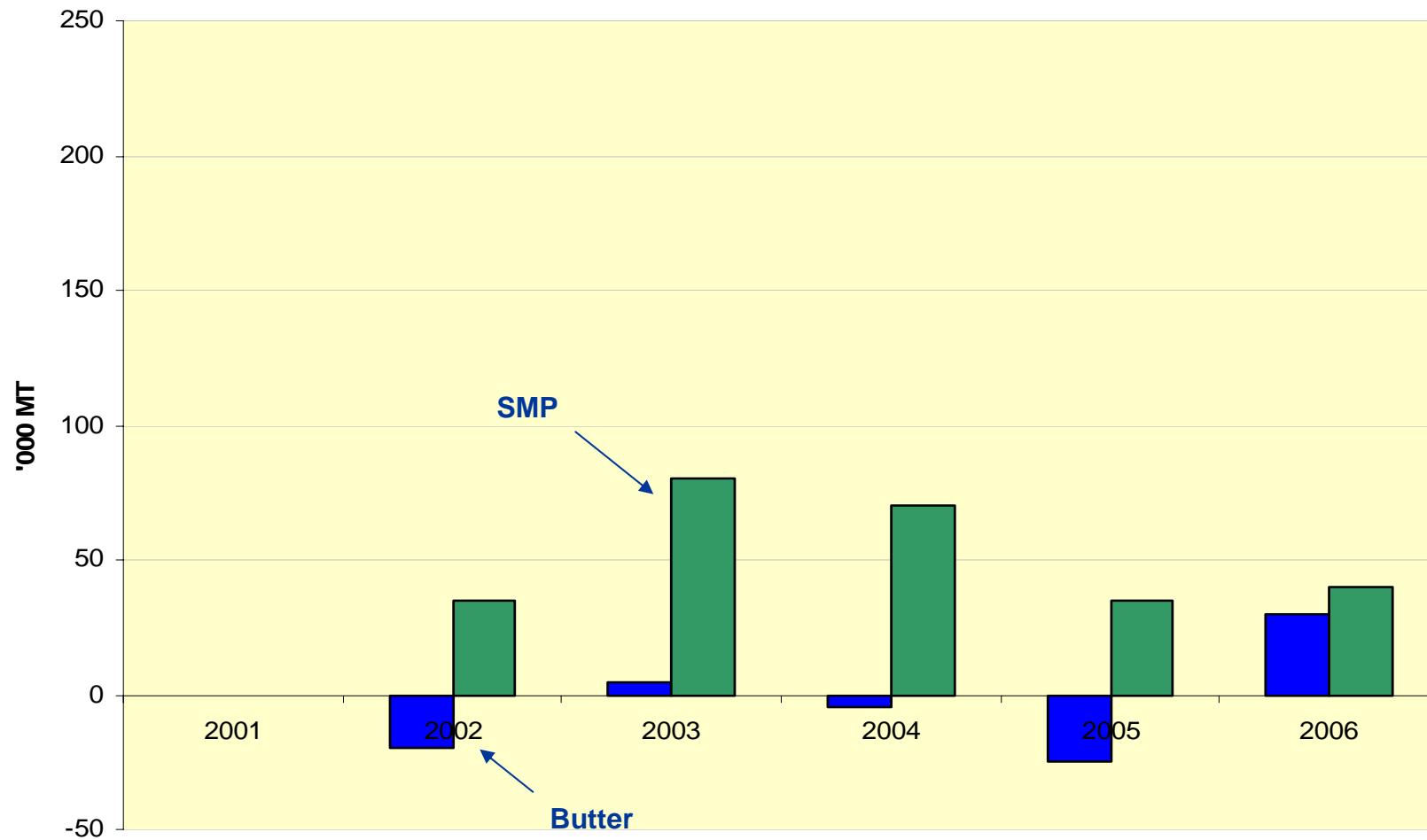
Milk production growth is slowing

NZ milk production (kg/ms '000)



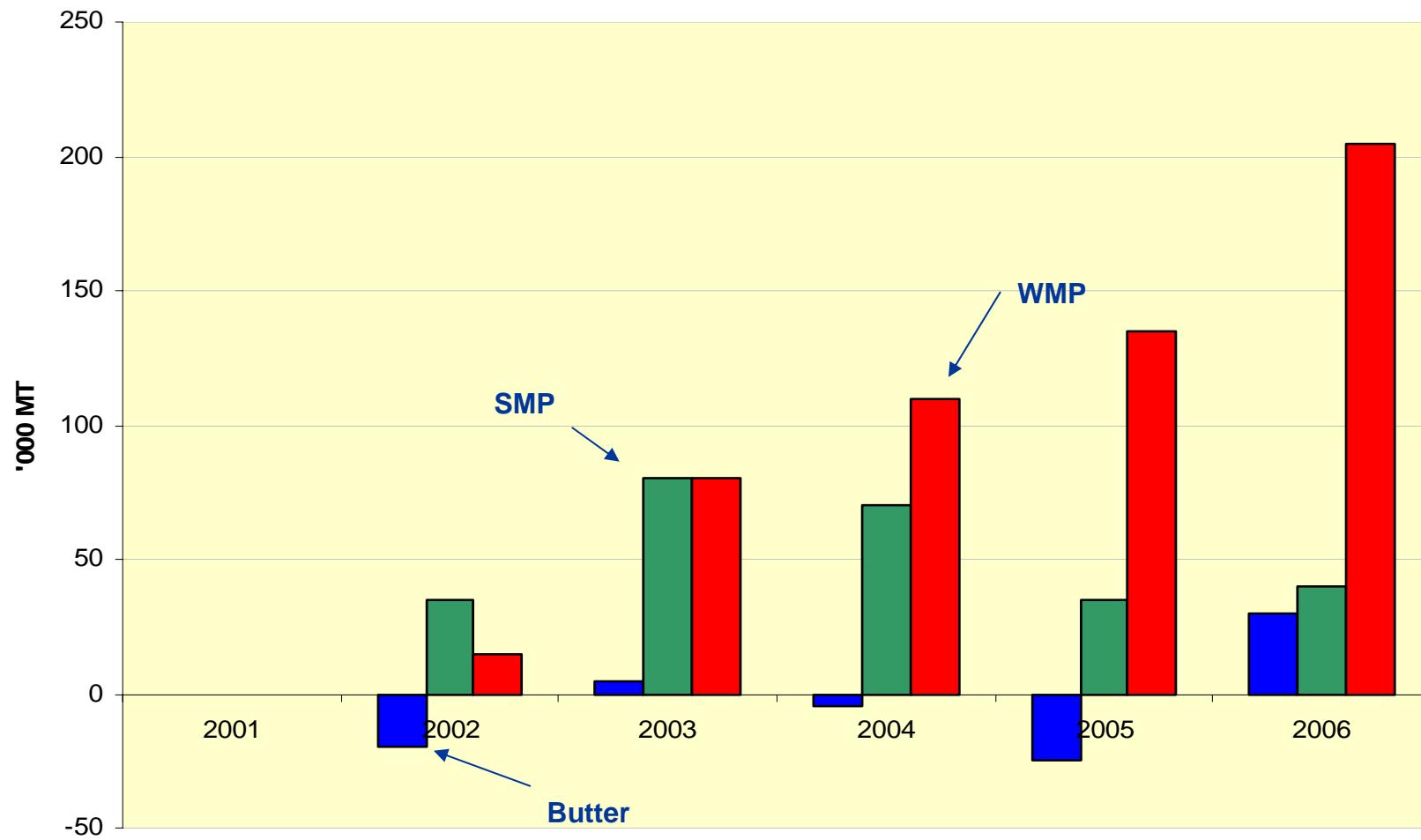
New Zealand

Our product mix is changing



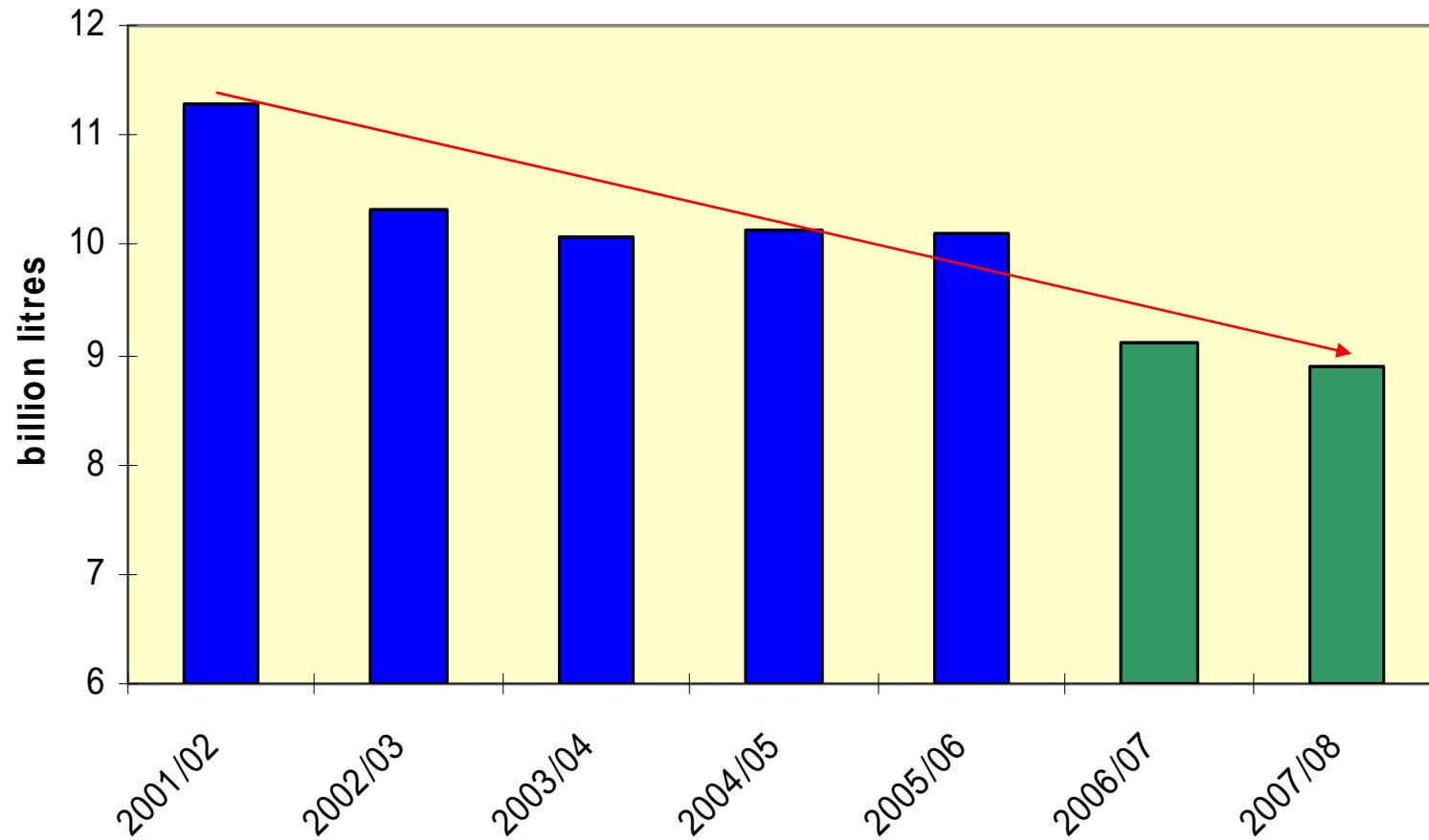
New Zealand

Our product mix is changing



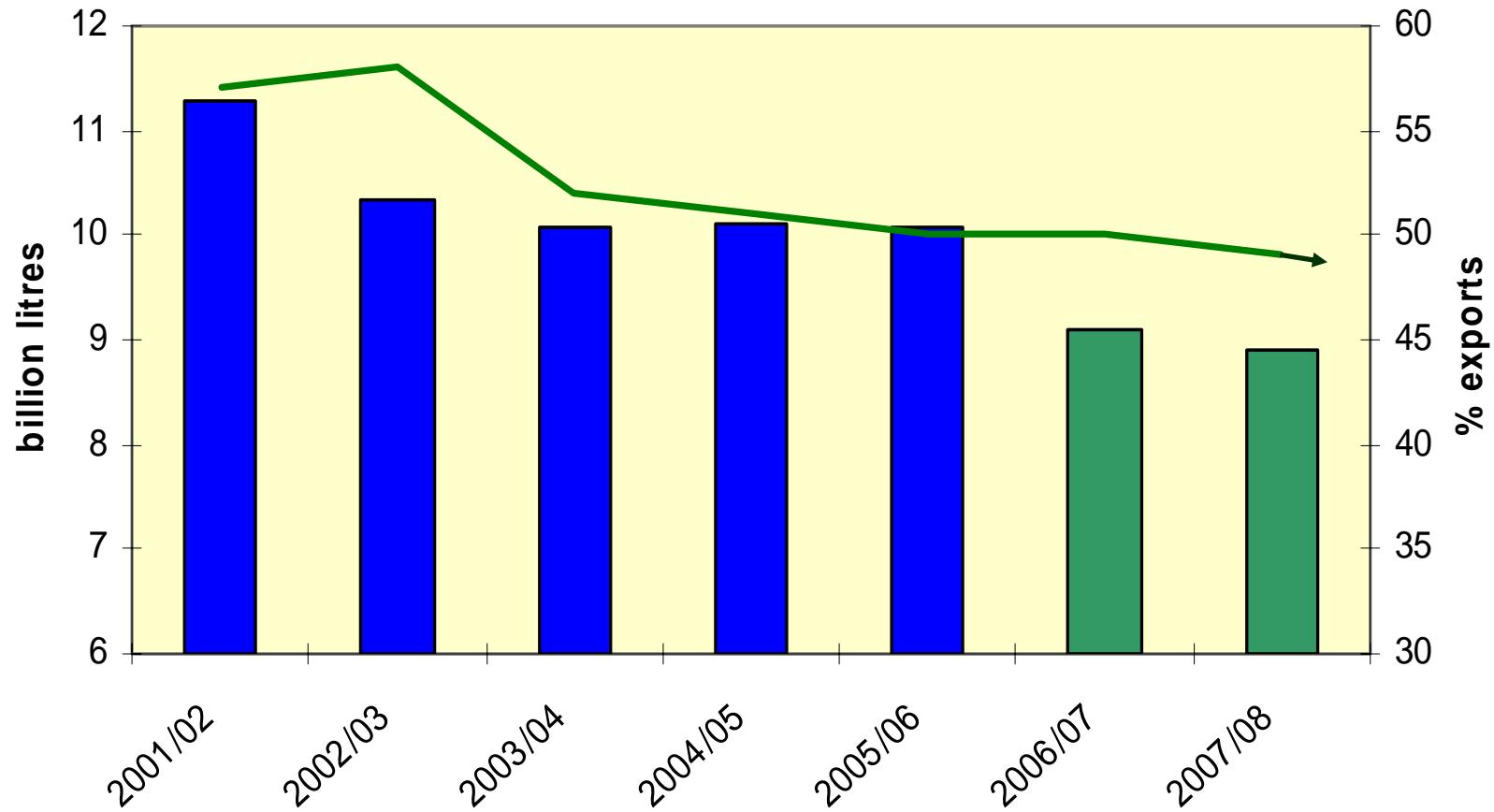
Australia

Heavily climate dependant



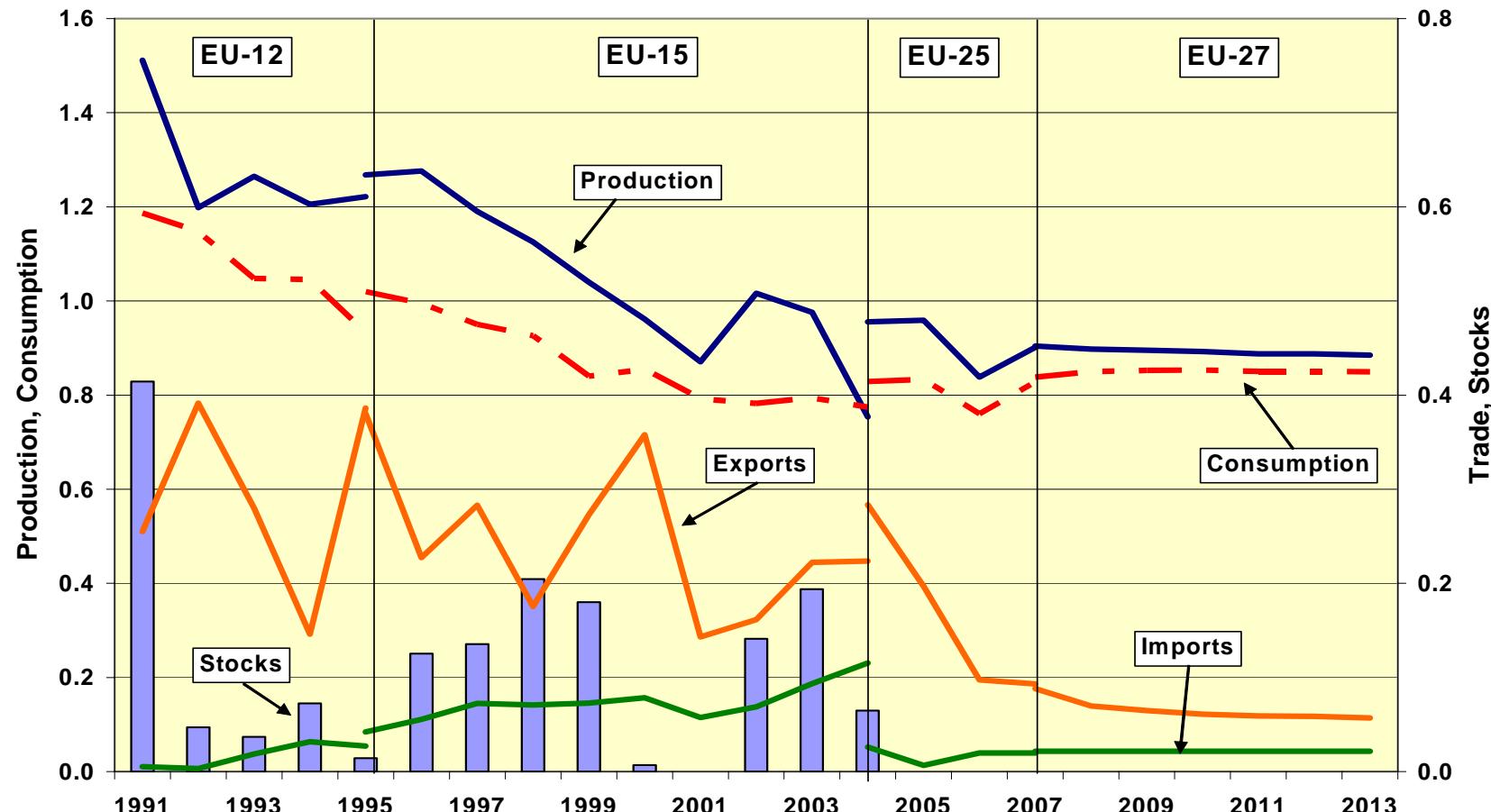
Australia

Heavily climate dependant



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

'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

'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

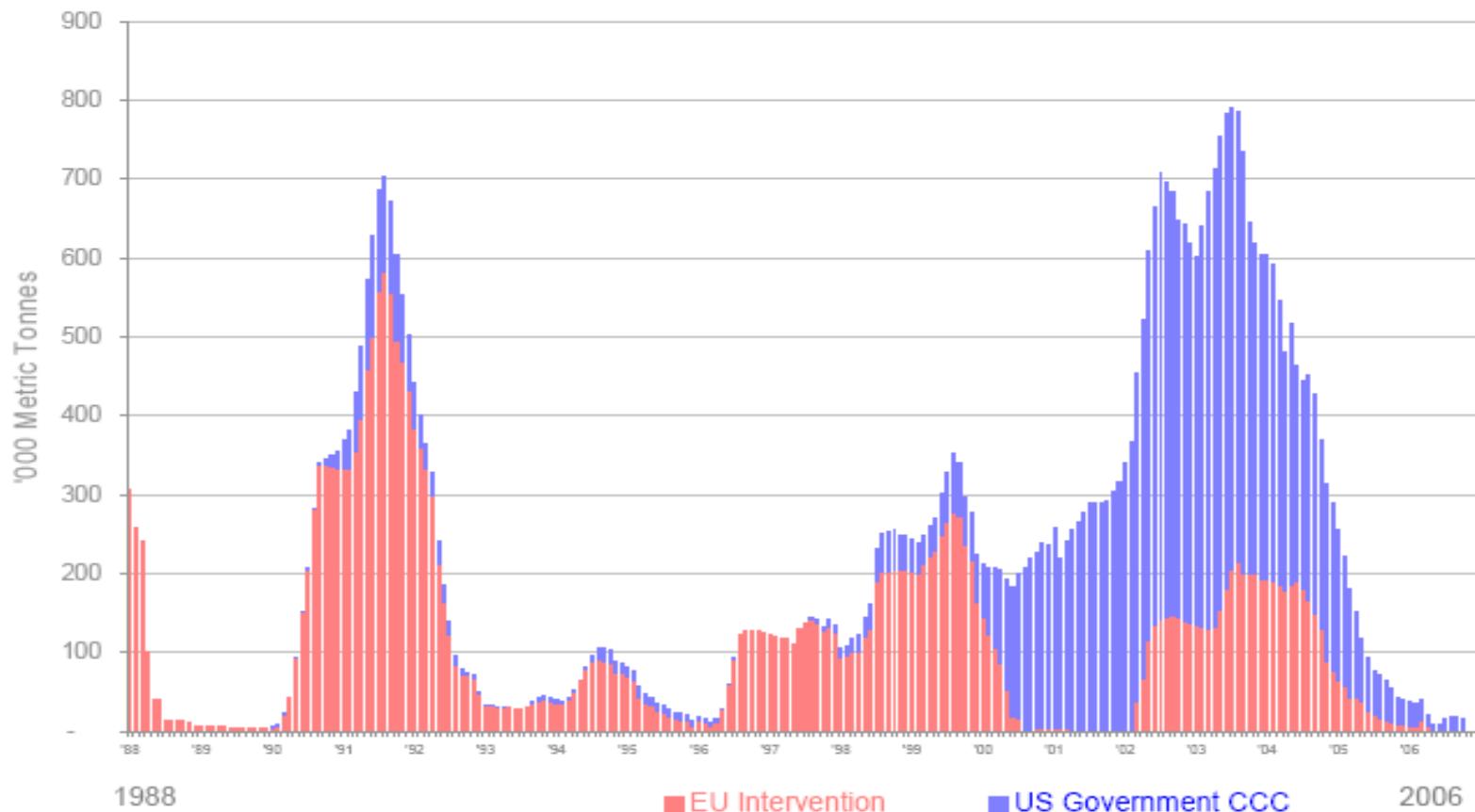
SMP balance sheet

'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

Government Stock

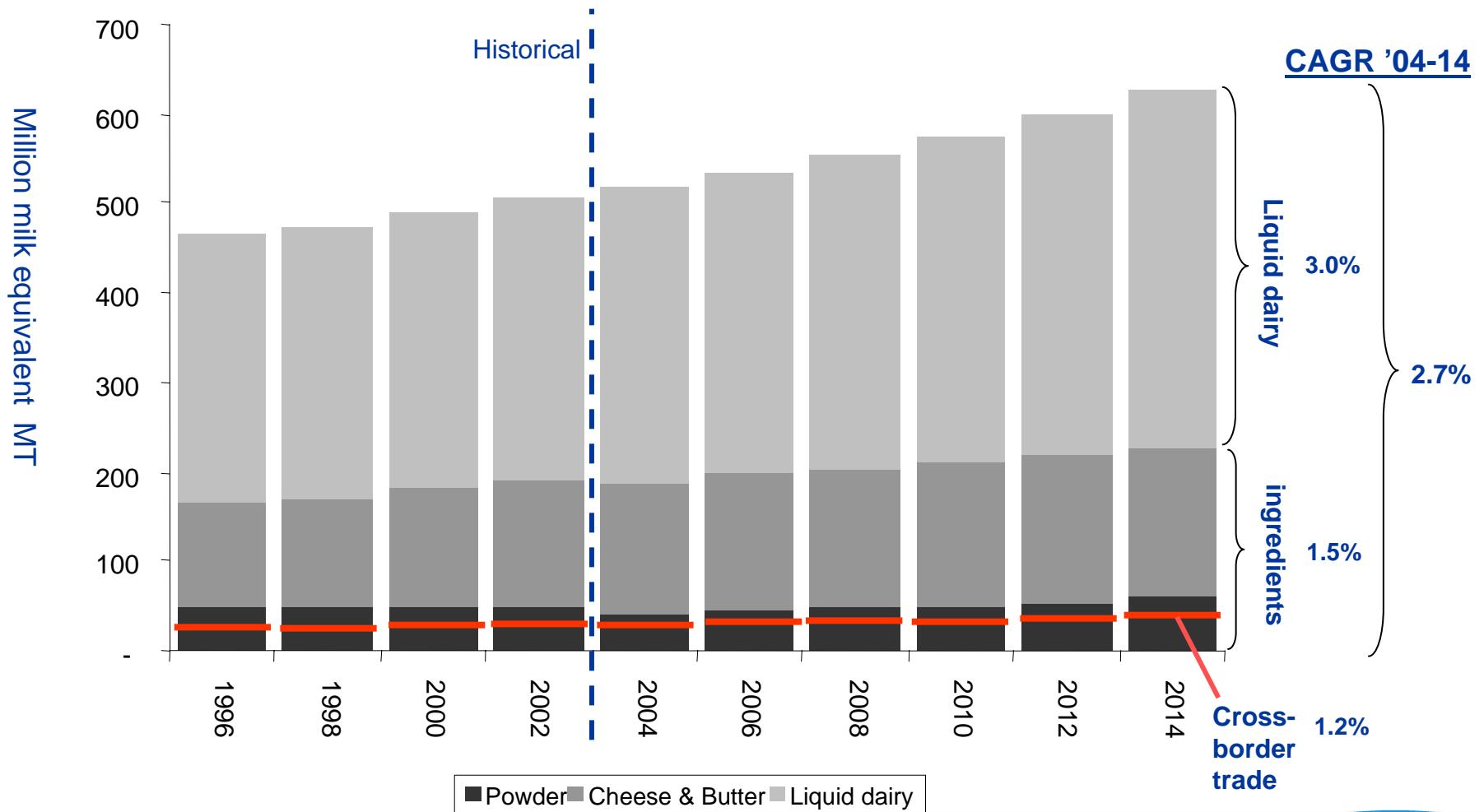
A shrinking buffer tank

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



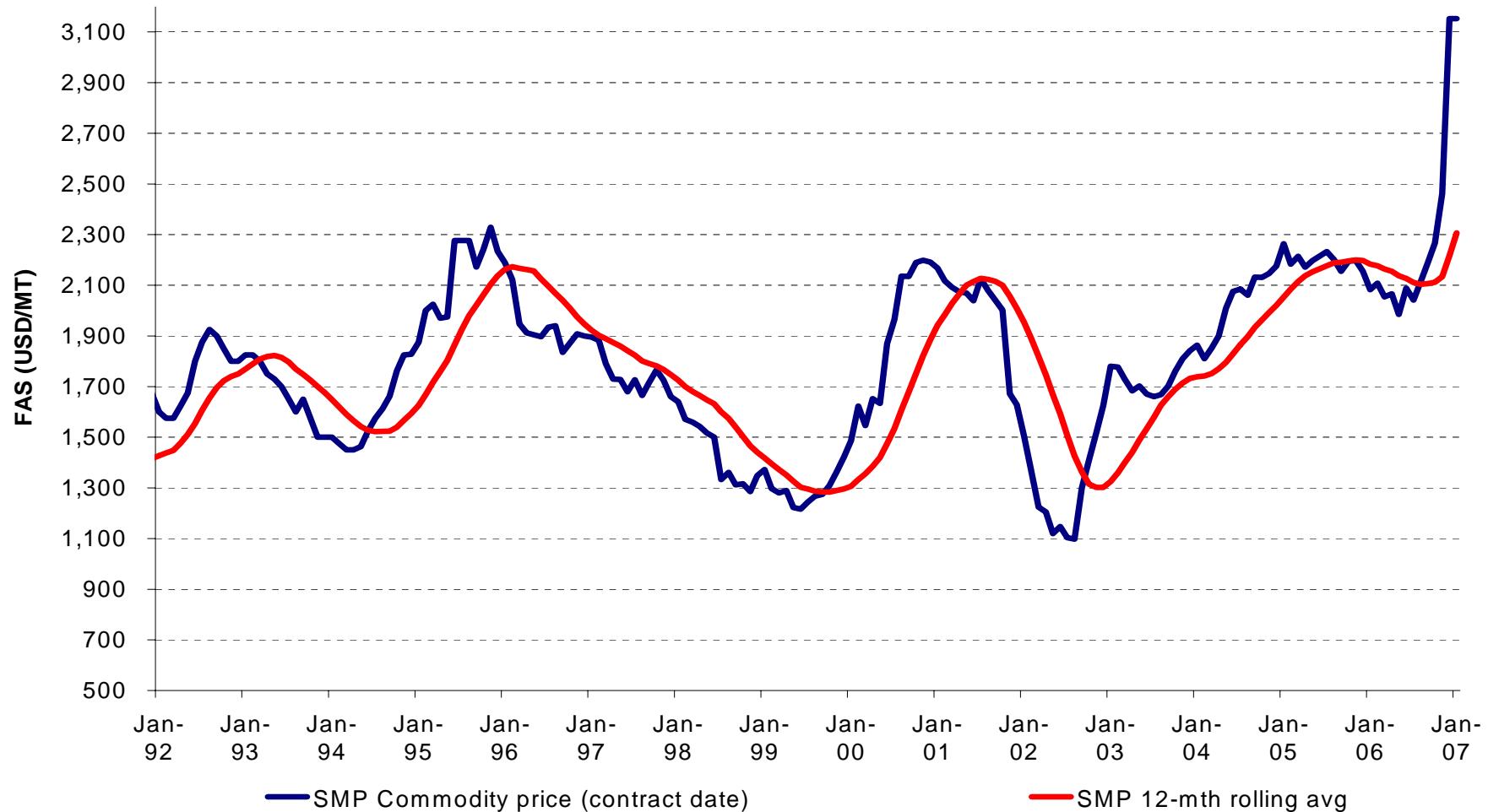
Global demand

The prospects for growth are solid



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 young children on a sandy beach. In the foreground, a young boy with blonde hair and freckles is laughing heartily, showing his teeth. Behind him, a girl in a red bikini is smiling broadly. To the left, another girl in a red swimsuit is also smiling. The background shows a bright, sandy beach under a clear sky.

Thank you

