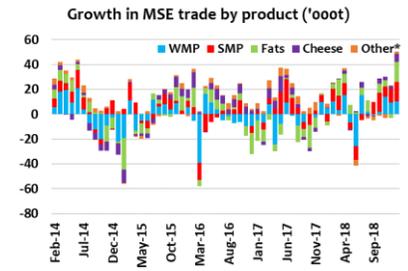
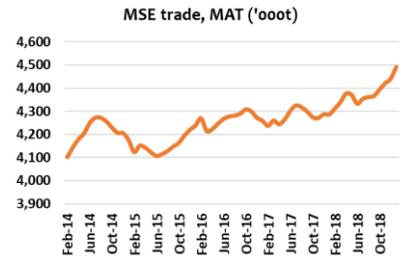
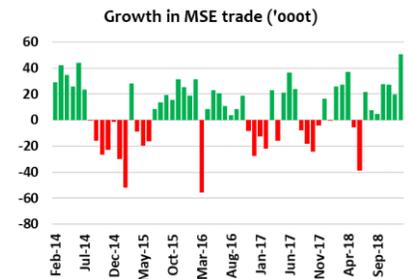
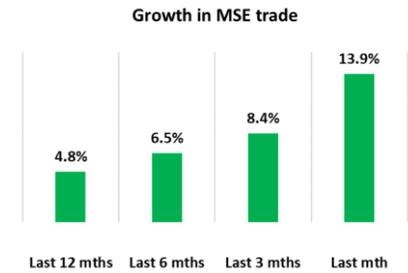


globaldairydirections
Trade Insights Monthly

March 2019

Summary

Trend	Main points
The trade surge continued at start of the new year	<ul style="list-style-type: none"> Global dairy markets continued to build momentum in early 2019, despite tightening milk supply from major exporters. January exports rose 13.9% YOY in milk solids equivalent (MSE) terms, with strong growth across all product categories except for whey products. Trade in the January quarter was 8.4% ahead of the prior year in MSE terms. The strong monthly result finished off a record 12-month of dairy trade in MSE terms
China & HK again the top destination	<ul style="list-style-type: none"> Sth East Asia posted the largest volume growth in January, up more than a quarter compared to the same month in 2018. Given the strong finish to 2018, shipments to China & HK surged strongest in MSE terms for the 3 months to January. The Middle East was still the weakest market region in the month and the quarter to January.
Milk powder demand much stronger at low prices	<ul style="list-style-type: none"> SMP shipments lifted by more than 25% in January compared with the prior year as the EU cut into stockpiles, setting an all-time monthly record. WMP trade lifted 10% in January with increased export availability at relatively low prices in New Zealand and South America. WMP trade over the year to January was 4.8% stronger – still 8% below peak trade in the heady days of 2014. NZ shipments continued to surge in February, particularly into China & HK where we continue to hear conflicted reports of milk supply growth and dairy market net balance. Fats trade was 29% higher in January. AMF trade continued to post solid YOY gains (up 46% in January and 31% for the January quarter) but remains 10.1% below “peak trade” reached in mid-2016 when fat was cheap. Meanwhile, butter trade also had a strong month, gaining 21% over a year ago, but the January quarter was flat against the comparative. Overall cheese trade posted its highest growth since mid-2017, up 7%, pulling the January quarter 3.8% higher, but was still just 1.8% ahead of the comparable in the 12-month period. The latest month contributed to a new record for the rolling annual total of global cheese trade. Trade in SMP, infant formula and lactose also reached all-time highs.

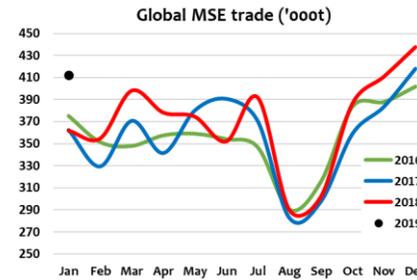


Trade Insights Monthly is a summary of actual trade data drawn from our Dairy Trade Simulator (DTS), using January 2019 data for the top 12 exporters. “January quarter” or “last quarter” refers to the 3 months to the end of that month, unless otherwise specified.

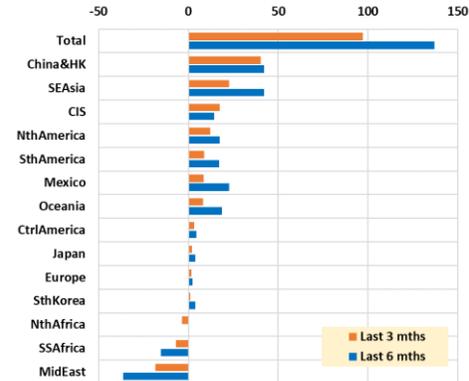
1. The big picture

Trade again up in January

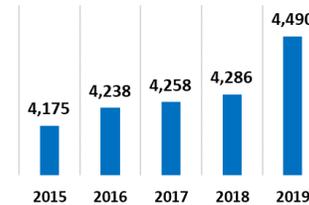
- Global dairy trade in milk solids equivalent (MSE) terms increased 13.9% YOY in January compared to the same month in 2018. This largely reflected improved Sth East Asian demand for WMP and SMP, helped by stronger sales of SMP into China.
- Sth East Asia resumed its role as the major contributor to growth as the Chinese peak buying season passed. At the other end of the spectrum, Middle Eastern markets waned as the effects of the sharp slump in oil prices flowed into the trade numbers.
- Stronger trade growth for the January quarter coincided with virtually no growth in major exporters' milk supply. China, several Sth East Asian countries and Mexico have made heavy milk powder purchases in recent months to take advantage of the increased supplies from NZ and South America and the release of EU intervention stocks. Higher demand from CIS (chiefly Russia) in cheese and fats has also boosted trade.
- January's data also contained some good news for cheese trade which posted stronger growth into a number of important markets, while the fat trade continued a patchy but healthy recovery in volumes.
- Global fats trade has posted healthy YOY gains in 10 of the past 12 months but remains well below "peak trade", helped by the cost-advantage of NZ AMF over US fats.



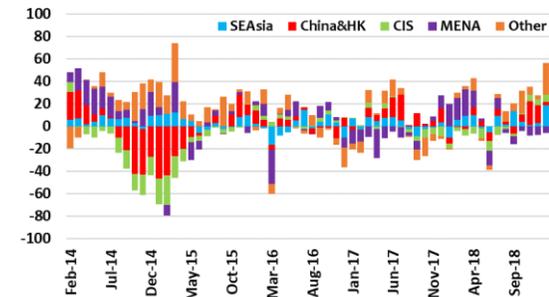
Growth in MSE import demand by region ('000t)



MSE trade last 12 months ('000t)



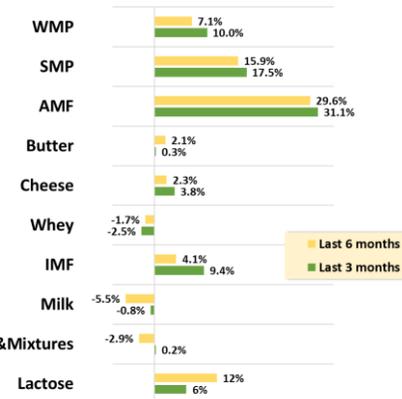
Growth in MSE trade by destination region ('000t)



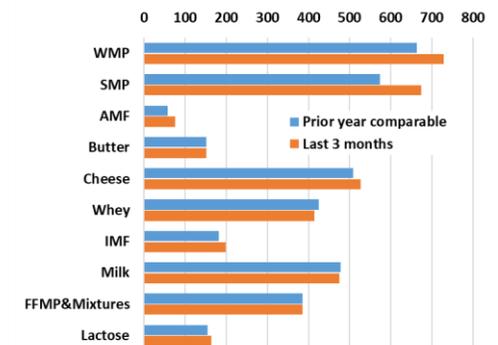
Growth in total MSE exports by region ('000t and %)

	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths	Last 12 mths
SSAfrica	3	-7	-15	-25	-11.4%	-8.8%
SEAsia	19	23	42	70	10.8%	8.6%
China&HK	3	40	42	49	13.6%	8.1%
CIS	7	17	14	-26	8.1%	-7.0%
MidEast	-5	-18	-36	-13	-13.0%	-2.4%
NthAfrica	-1	-4	0	34	-0.1%	10.1%
Total	50	97	137	204	6.5%	4.8%

YOY growth, shipments by top 12 exporters



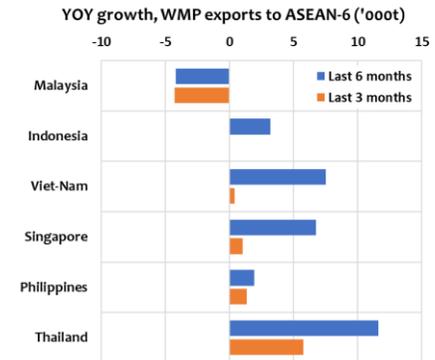
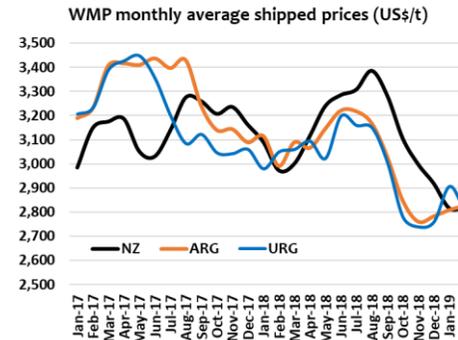
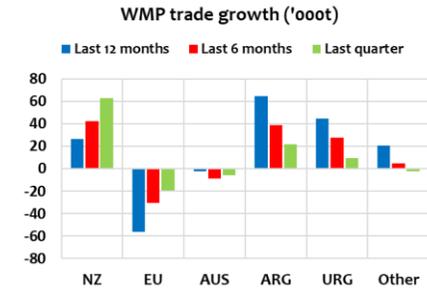
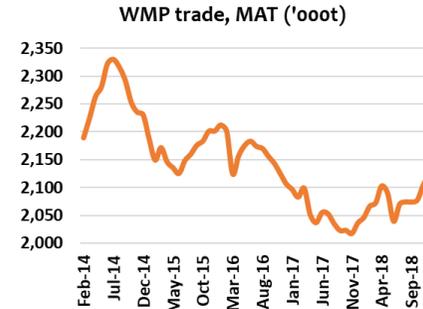
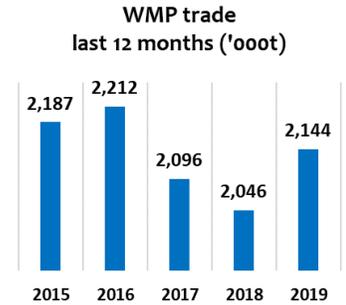
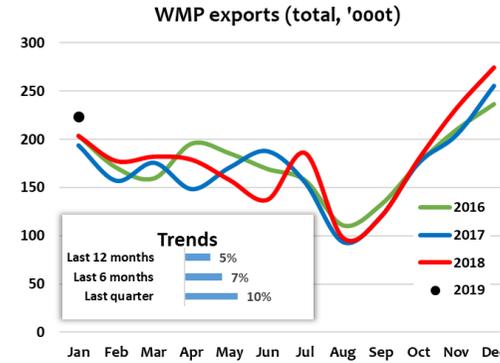
Total dairy shipments by top 12 global exporters ('000t)



2. WMP

Trade continued to rise fuelled by low prices

- Global WMP trade lifted 9.9% in January, following strong gains during Q4-18.
- Market growth is patchy despite the relatively cheap FOB prices. China & HK has essentially carried the growth in global WMP trade in recent months, but there was much stronger involvement from Sth East Asia in January (up by 35%), while the MENA region was sharply weaker overall.
- North Africa had posted several months of solid YOY gains through to December, but fell 15% YOY in January, while the Middle East market continued a significant contraction.
- We are now starting to see a corresponding gain in fat-filled trade to offset the sizable falls in WMP trade into Sub-Saharan Africa.
- NZ shipped 12.5% more WMP in January than the same month in 2018, taking trade in the January quarter 13% ahead. NZ's Asian trade has expanded but it has lost significant share in MENA.
- NZ's share of global WMP trade in the last year slipped to 64.7% and the EU, which has been well out of the money with aggressive competition, was down to 15.4%.
- Argentina and Uruguay have substantially increased their shares of global trade in the same period. That is likely to reverse with slowing local milk production and relatively low inventories.

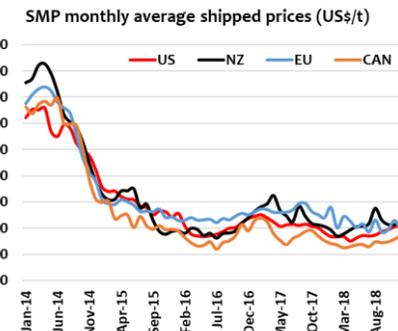
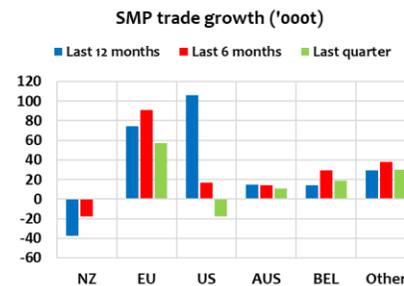
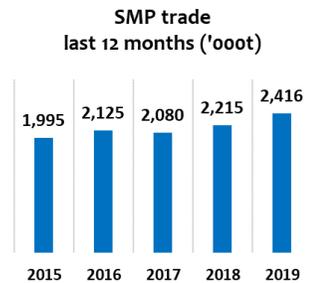
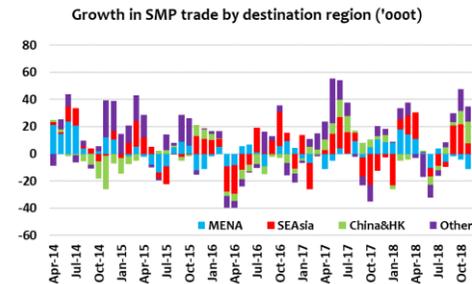
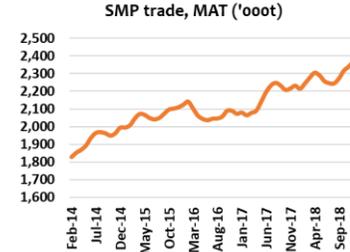
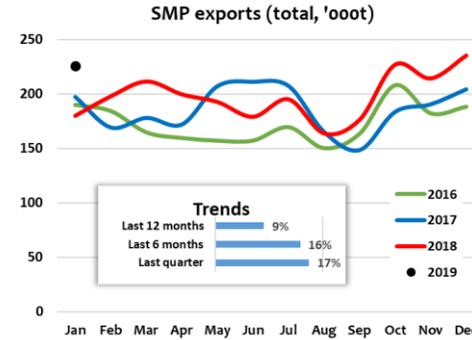


Growth in WMP exports by region ('000t and %)							
	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths	Last 12 mths	
SSAfrica	1	-17	-25	-39	-28.9%	-21.2%	
SEAsia	18	12	23	46	10.0%	9.6%	
China&HK	3	70	67	65	22.1%	12.4%	
MidEast	-9	-34	-52	-30	-32.6%	-10.0%	
NthAfrica	-6	9	19	30	13.9%	11.2%	
SthAmerica	3	9	23	4	58.5%	3.9%	
Total	20	66	74	98	7.1%	4.8%	

3. SMP

SMP trade edged higher again

- Global SMP trade continued the strong surge and grew 25% YOY in January, taking trade for the January quarter 17% higher.
- Growth in SMP demand is broader-based than WMP as prices remain attractive. SE Asia, Mexico and China dominated the growth in January, while in the Middle East there was a small revival in demand. Algeria slowed its purchases, while the CIS also stalled after a few months of recovery.
- EU-28 SMP exports rose 53% YOY in January, setting a record for single month trade of 86,799t. This took January quarter shipments 33.1% ahead of the comparable.
- US exports fell behind comparatives for the third consecutive month in January, reflecting weaker sales into SE Asia and the Middle East, partially offset by stronger shipments into Mexico. US SMP trade was 10.7% below the 2018 comparative for the quarter.
- New Zealand SMP exports rose 4.2% YOY in January pulling trade slightly ahead for the quarter. Exports to China & HK grew 15.4% while shipments to North Africa and SE Asia weakened.
- The shift in trade shares continues. We estimate US share of global SMP trade has grown to 29.7% in the year to January, trailing the EU with 35.3%, while NZ slipped to 14.9%.
- India's January SMP exports of 2,886t were the lowest in five months and reflective of government export subsidies ending. In the 5 months to January, shipments were 36,832t.

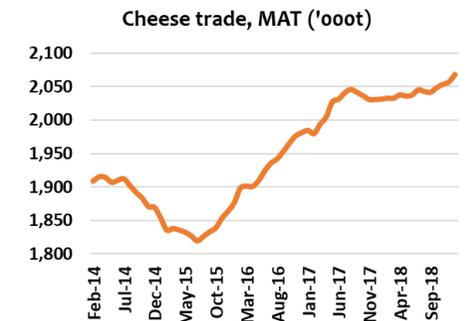
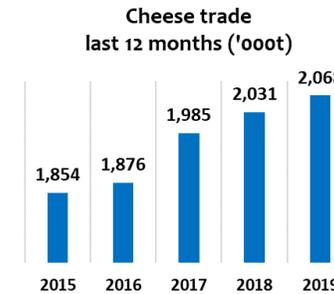
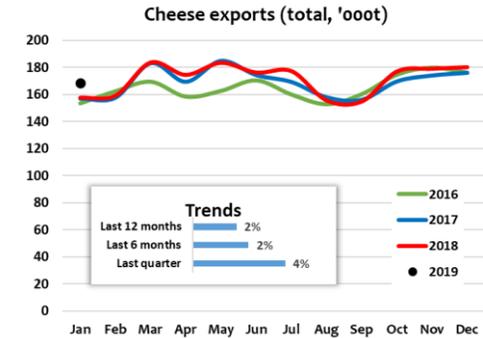


	Growth in SMP exports by region ('000t and %)				Last 6 mths	Last 12 mths
	Last mth	Last 3 mths	Last 6 mths	Last 12 mths		
SEAsia	22	49	87	114	26.9%	16.2%
China&HK	9	31	48	31	37.9%	11.5%
CIS	0	8	7	-21	10.6%	-14.4%
MidEast	2	6	-9	2	-7.3%	1.1%
NthAfrica	-1	-20	-17	10	-13.2%	4.0%
Mexico	8	18	44	44	29.7%	13.3%
Total	46	100	170	201	15.9%	9.1%

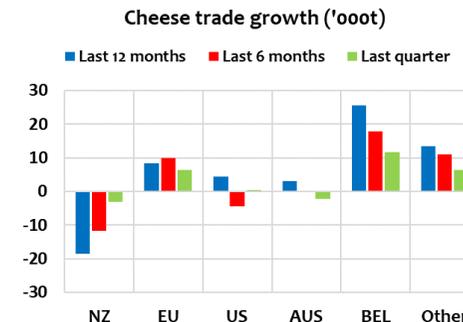
4. Cheese

Overall growth continued

- Global cheese trade continued to expand over prior year comparatives. The 7% increase in January was the strongest YOY expansion in 20 months.
- Trade in January was mixed across destination markets as shown in the table below, with CIS continuing consistent growth, while Japan and Korea improved after a few quieter months. Sales to MENA improved but sales into Sth East Asia continued to weaken. Tariff barriers imposed on US cheese by Mexico helped shrink that trade 20%.
- In the January quarter, global trade was up 3.8%, helped by a recovery in Belarus' Russian market access, improved trade into North Africa. Chinese demand picked up after a lull earlier in 2018.
- US cheese exports rose for the second consecutive month in January – up 4.7% YOY. January quarter exports rose just 0.4% thanks to healthier sales into Korea, South and Central America, but offset by a 5.8% decline in US exports to Mexico.
- NZ cheese exports fell in YOY terms for the sixth consecutive month in January, to end the quarter 3.4% behind the comparable, despite a 19.5% increase in exports to China & HK.
- EU cheese exports grew 3.2% in the January quarter – shipments to North Africa increased 35.3%, while exports to Japan expanded by 17.6%.



Growth in cheese exports by region ('000t and %)							
	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths	Last 12 mths	
SEAsia	0	-2	-6	-5	-6.7%	-2.9%	
China&HK	0	3	-1	-4	-1.5%	-3.5%	
CIS	3	10	16	23	12.8%	9.7%	
MidEast	1	0	-1	-4	-1.3%	-1.8%	
NthAmerica	1	1	0	-11	-0.1%	-6.1%	
Japan	2	-1	4	17	2.6%	6.1%	
SthKorea	3	1	3	-1	6.0%	-0.7%	
Total	11	19	23	37	2.3%	1.8%	

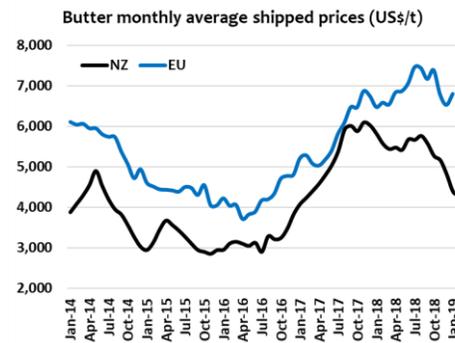
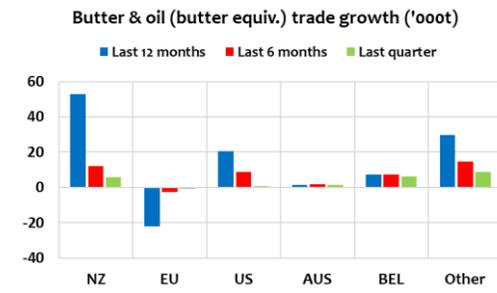
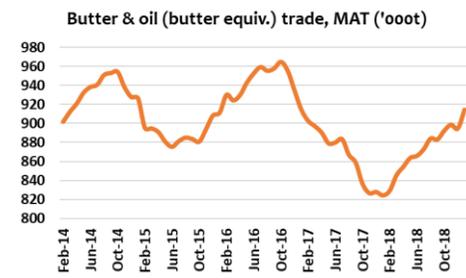
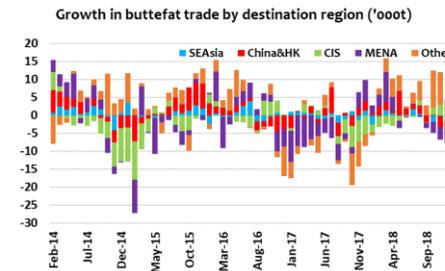
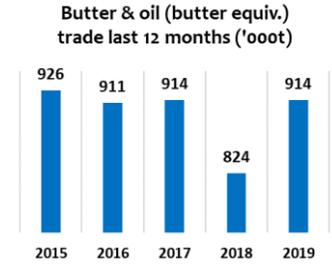
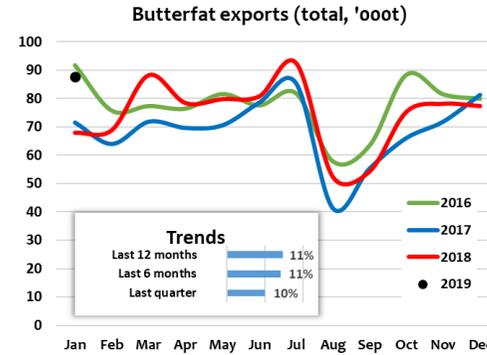


5. Butter and AMF

Much stronger exports of fat in January

- Combined butter and oil trade, measured in commercial butter equivalent (CBE), continued the recovery in January that was seen through 2018. Combined fats trade rose 29% in the month, lifting growth for the January quarter to 10%.
- AMF trade has continued to be the big mover lifting 46% in January while butter trade grew 21%. The CIS, Sth East Asia and North America (chiefly AMF trade into US and Mexico) accounted for most of the combined growth in January.
- China’s butter demand continued to stagnate, flat against the comparative in January, but down 27% YOY for the quarter. Sth East Asian demand has steadied in the past quarter after a 23% lift in January, and had clawed back to a 1% gain in the quarter against the prior year comparative.
- North Africa’s overall fat demand steadied against the 2018 comparative in January, but fell 24% YOY in the quarter, while the Middle East was down 8%. The trends for both are much weaker for butter.
- Overall trade has a long way to go to return to past levels, pre the EU shortages that pushed up global prices.
- Over the 12 months to January, butter & AMF (CBE) trade was 10.9% higher at 914,000t – this was still below the 2015 comparable. At the end of January, AMF trade was 10.1% below “peak trade” on a rolling annual basis while butter was down 8.5%.

Growth in butter & oil (butter eqv.) exports by region ('000t and %)							
	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths	Last 12 mths	
SEAsia	3	0	-1	3	-1.8%	1.8%	
China&HK	-1	-8	-8	10	-15.1%	8.6%	
CIS	6	12	17	3	37.5%	3.1%	
MidEast	-2	-3	-7	-2	-11.5%	-1.7%	
NthAfrica	1	-6	-8	4	-23.0%	6.7%	
Europe	2	0	0	6	-0.8%	15.6%	
NthAmerica	7	14	21	23	69.0%	39.7%	
Total	20	22	42	90	10.8%	10.9%	



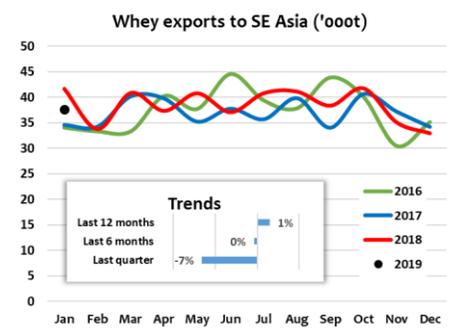
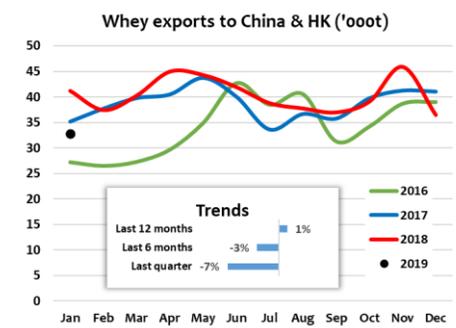
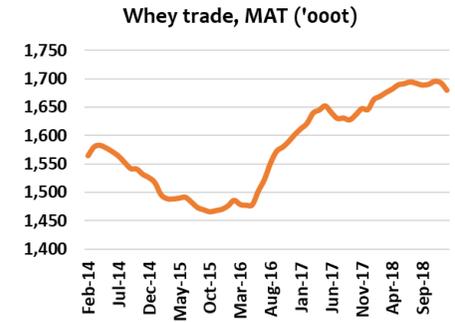
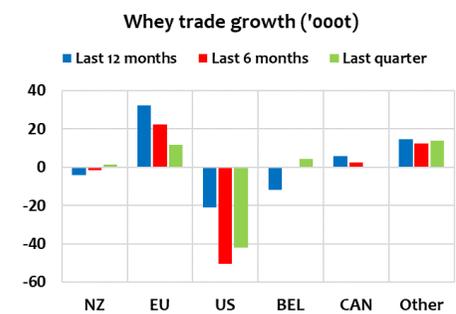
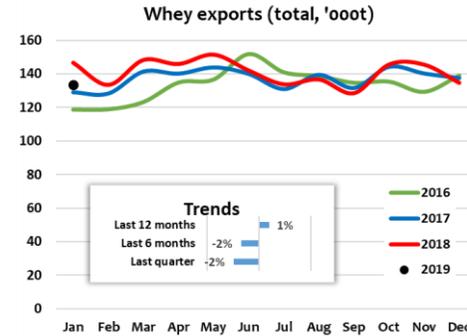
6. Whey

January trade continued to track lower

- Global trade fell 8.9% YOY to 134,000t in January – the largest single month fall since March 2015 - as higher US tariffs and swine fever combined to weaken Chinese demand for the second consecutive month.
- With the January fall, total exports over the quarter slipped 2.5% behind the prior year comparative.
- The weakness in January wasn't limited to China, as most major regions posted lower demand. Sth East Asia also posted a 10% monthly fall, pulling the January quarter 7% lower. Global trade was also affected by a more-than-halving in Russian imports from Belarus, pulling CIS imports down 27% in January, continuing the past year trend.
- Shares of trade in whey products continued to reshape. US shipments slowed dramatically in the quarter, down 28% to pull the US share of trade below 30% in the 6 months to January.
- Meanwhile, EU whey trade rose in the six months to December before falling 2.3% YOY in January. Over the January quarter, EU whey exports were 7.1% ahead with strong gains into China & HK, as US business was replaced. The EU's share of trade in the past half year lifted to almost 43%.

Growth in whey exports by region ('000t and %)

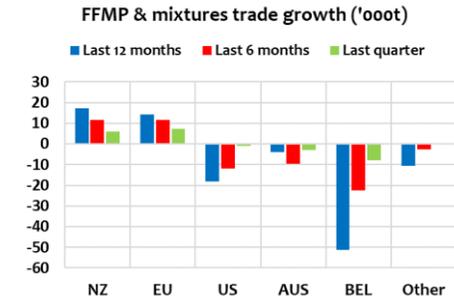
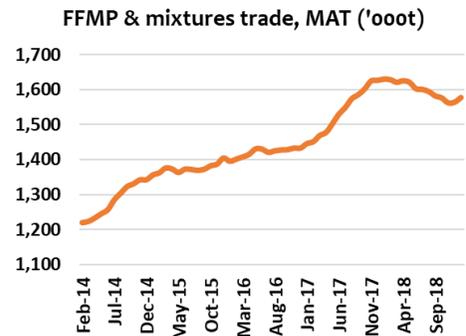
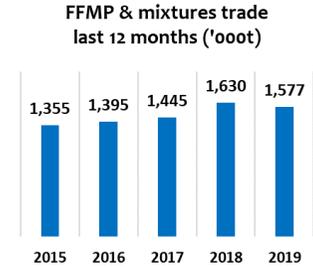
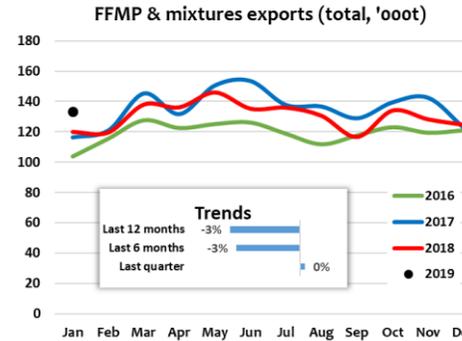
	Growth in whey exports by region ('000t and %)				Growth in whey exports by region ('000t and %)	
	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths	Last 12 mths
SEAsia	-4	-7	-1	7	-0.4%	1.5%
China&HK	-8	-8	-7	5	-2.9%	1.1%
CIS	-2	-7	-26	-49	-43.8%	-41.1%
NthAmerica	-1	3	6	-3	9.8%	-2.4%
Mexico	-1	1	1	5	3.8%	8.3%
SthKorea	2	0	4	11	12.9%	17.4%
Total	-13	-10	-15	16	-1.7%	1.0%



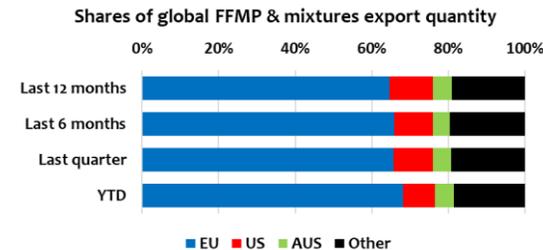
7. FFMP & mixtures

FFMP volumes again up in January

- Global fat filled milk powder & mixtures (FFMP) trade rose 11.2% YOY in January. This followed growth of 1.4% in December after a long period of weaker trade which began in February 2018.
- Increased demand from Sub-Saharan Africa, which posted its second month of 22% growth on the prior year comparative, was the standout for January trade. The large recent gains pulled annual trade into that region back up to just 2% shy of the previous 12 months. Nigeria has been responsible for the recovery, at the same time as pulling back on WMP purchases by a similar amount.
- January quarter trade was up 0.2% on the comparable - despite a large reduction in shipments to the CIS region. Exports to Sth East Asia and North Africa countered the large CIS losses.
- Global trade growth was under pressure between February and November last year compared to strong prior-year comparables, and reflecting improving WMP availability at low prices.
- In the twelve months to January, EU FFMP & mixtures exports rose 1.4%, with the strongest absolute growth in sales to Sth East Asia and the Middle East.
- We estimate EU suppliers accounted for 64.7% of traded FFMP & mixtures in the 12 months to January. The US was a distant second with a 11.2% market share.



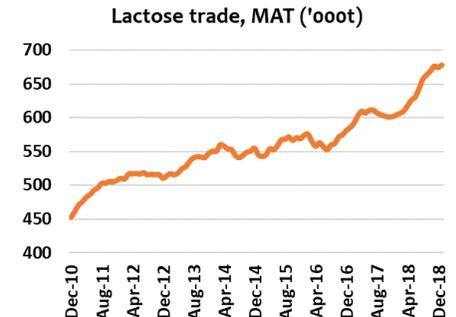
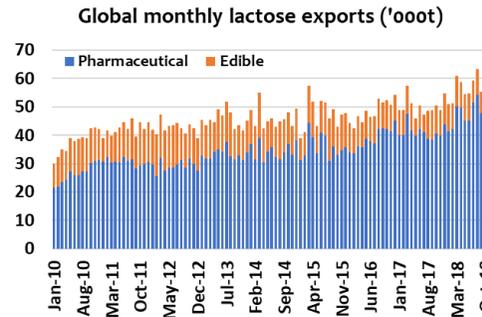
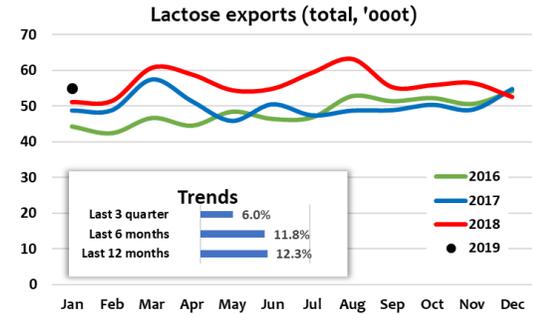
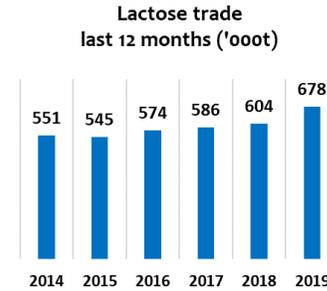
Growth in FFMP & mixtures exports by region ('000t and %)						
	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths	Last 12 mths
SSAfrica	7	6	-8	-10	-3.5%	-2.0%
SEAsia	1	6	18	27	27.4%	19.5%
China&HK	2	-1	-4	-6	-12.4%	-9.1%
CIS	0	-13	-37	-102	-30.8%	-38.6%
MidEast	1	-1	-1	19	-0.7%	6.4%
NthAmerica	1	2	2	3	2.8%	1.9%
Total	13	1	-23	-53	-2.9%	-3.2%



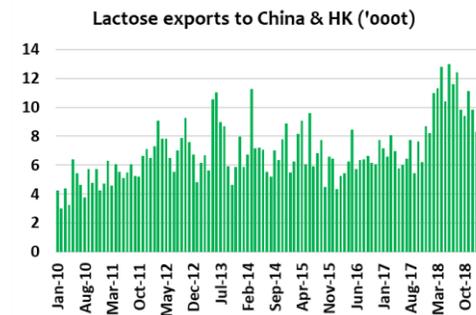
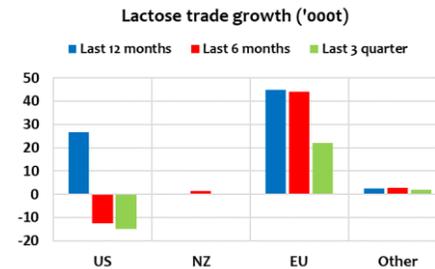
8. Lactose

Lactose now at peak-trade

- Global lactose exports continued to expand, up 8% in January after a decline in December 2018.
- Sth East Asia represented accounted for most of the growth, adding 22% in the month over the prior year comparative, a recovery after a couple of quiet months. Chinese demand improved just 1%, taking a breather from fast YOY growth in preceding months, as EU exporters replaced some US business. Oceania sales also expanded 14% in January, taking growth for the quarter up by 31% with demands from higher WMP production in NZ.
- With the January rise trade over the quarter was 6% ahead of the comparable, mostly reflecting stronger EU exports, which grew 45%.
- US exports fell 6% in January and 15.5% in the quarter, as Chinese and Sth East Asian sales fell, reversing some of the strong gains achieved earlier in the year.
- We estimate that during the six months to January, the US share of lactose trade slipped to 52% while the EU lifted to 41%.
- During the same period, pharmaceutical lactose accounted for 84% of total lactose trade.



Region	Last mth	Last 3 mths	Last 6 mths	Last 12 mths	Last 6 mths (%)	Last 12 mths (%)
	SE Asia	3	0	5	20	7.2%
Japan	0	1	3	-2	7.2%	-2.5%
Oceania	1	6	4	-1	9.0%	-0.8%
China & HK	0	6	17	47	38.8%	56.4%
Europe	-2	1	5	5	31.3%	13.4%
North America	1	3	3	5	86.5%	69.4%
Total	4	9	36	74	11.8%	12.3%



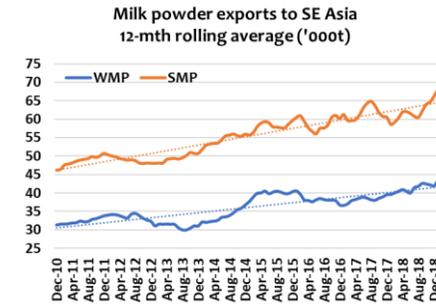
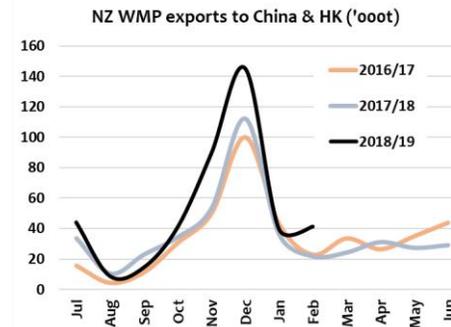
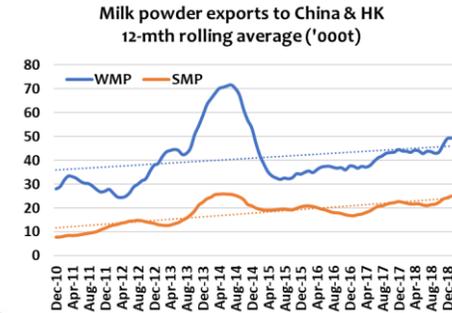
9. Importing regions

Sth East Asia growing fastest

- **Sth East Asian** trade remained strong in January, providing the largest absolute growth driven by the surge in SMP trade, which grew 36% in January and was 28% ahead for the January quarter.
- There were mostly positive import trends across most **ASEAN-6** member countries in the January quarter for SMP as shown on the right.
- WMP exports to the region rebounded in January. Over the quarter, there were positive trends across all **ASEAN-6** members with the exception of Malaysia and Indonesia.
- Cheese shipments to the **ASEAN-6** region were weaker – down 6% in the January quarter, while overall Sth East Asian demand slipped 3.5%. Trends were mixed, with stronger exports to Malaysia, Singapore and Thailand.

China still the League table leader

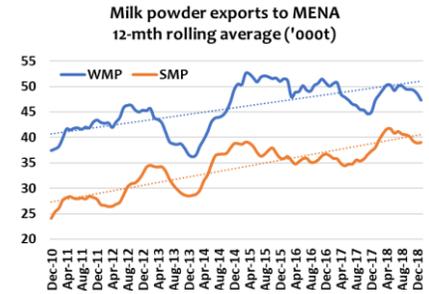
- We estimate MSE shipments to **China & HK** rose 6.6% YOY in January. MSE trade for the January quarter was 20% stronger through the peak WMP and SMP buying periods. Cheese demand also sprang back to life.
- There were mixed export trends to China & HK in the January quarter. Shipments of butter, AMF, whey and FFMP & mixtures were weaker but with growth across all other product categories we track.
- WMP exports to China & HK lifted 7% YOY in January to 42,600t. Shipment trends have been consistently positive since October, as stronger NZ milk production weakened WMP prices sufficiently below the cost of local Chinese product. Trade over the year to January lifted 12.4% ahead of the comparative to 592,000t.
- IMF export growth to China & HK recovered in the January quarter – an expansion of 10.5% was recorded. In the year to January, trade lifted 18.9% to 414,000t.



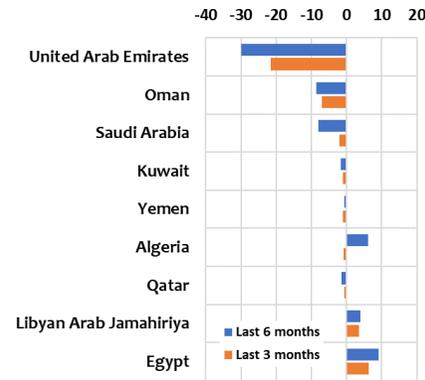
9. Importing regions (cont'd)

MENA trade weaker in recent months

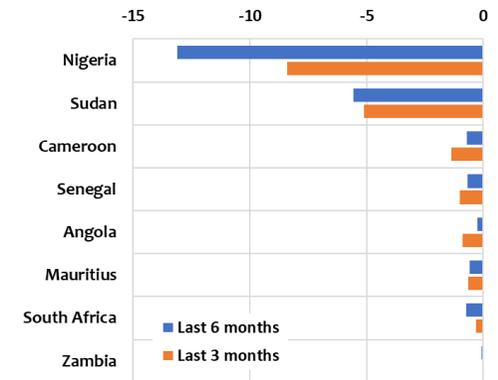
- Trade with **MENA** fell 6% in January in MSE terms, worse for the Middle East which was down 8%. The rate of decline in dairy trade with the region has slowed – shipments shrank 13% in the 6 months to January.
- Exports slowed in recent months, particularly for milk powders, with WMP performing worst, down 14% in the January quarter and 11% in the latest 6 months, despite the cheaper offerings.
- SMP exports to the **Middle East** fell for 6 consecutive months to November before lifting substantially in December and January. Trade in the January quarter was up 9.4% at 67,000t. WMP trade fell 35.7% in the quarter, and was down 10% lower over the 12 months to January.
- Over the year to January, dairy exports to the MENA region increased 2.3% in MSE terms. Shipments across all product categories increased for the period, except for butter, which was 5.7% down.
- In **North Africa**, WMP exports lifted by 9,000t in the January quarter but SMP sales were much weaker, down 24.3%.
- On a 12-month rolling average basis to January, the **MENA** region tracked below trend for WMP and SMP.
- Butter and oil (butter equivalent) exports to **MENA** notably weakened since May last year. In the January quarter, trade was down 14.2%.
- The **CIS region** posted mixed trends over the January quarter. There were large falls in milk & cream, FFMP & Mixtures, whey and infant formula exports, but increases for SMP, WMP, cheese and fats. Cheese shipments in this period lifted 16.6% to 69,700t.
- After weaker trends since mid-2017, cheese exports to **South America** rose substantially in each of the three months to November before falling in December and January. This still brought trade in the January quarter up 8.2% to 25,000t - mostly reflecting stronger demand in Brazil.



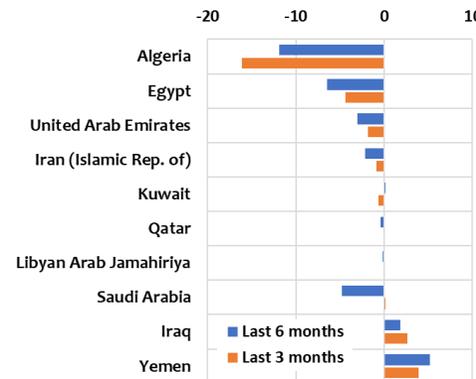
YOY growth, WMP exports to selected MENA countries ('000t)



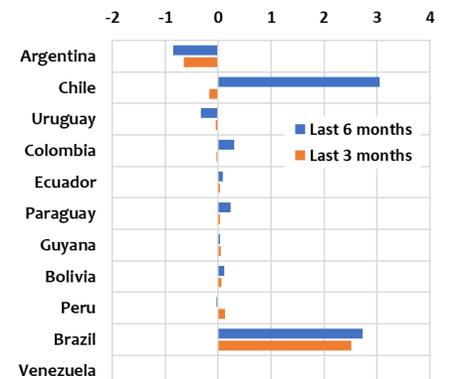
YOY growth, WMP exports to Sub-Saharan Africa ('000t)



YOY growth, SMP exports to selected MENA countries ('000t)



YOY growth, cheese exports to selected Sth American countries ('000t)



10. Other trade snippets

EU imports of fat still limited

- **EU-28** butter and oil (butter equivalent) imports remained weak. High tariff barriers ensure imports into the EU are limited. Shipments to the EU were just 22,747t for the 12 months to January.
- **Argentina's** WMP exports continued to increase into the new year. January shipments of 8,627t were the lowest in eight months, mostly reflecting weaker sales into Algeria.
- According to official Argentinian government data, WMP and other powder inventories fell at the end of January. With local milk production now falling in double-digits, in addition to lower stocks, Argentina will likely lose WMP global market share in coming months.
- **Brazil's** imports of WMP rose in YOY terms for the seven consecutive months to February – following almost a year and a half of declines. Brazil's WMP net imports were lifted to 75,567t for the year to February, 32% more than the previous 12-month period.
- Following two small consecutive monthly YOY increases, Canada's SMP exports declined in both December and January. The January total of 1,590t was the lowest in 31 months.
- According to official government data, Canadian SMP stocks have fallen from 74,242t in March 2017 to 29,926t at the end of February this year, still ahead of the long-term average.

