

Stalling world production plus good demand from China, will continue to underpin the commodity price improvements.....

Global milk supply in the key exporters of dairy products: **-0.8%**
(Jan-Mar '19)

Chinese dairy imports have increased +**14%** YoY
(Jan-Mar '19)

Milk powders (WMP & SMP), butter and cheese exports of the main exporting regions: **+11.83%**
(Jan-Mar '19)

Global Dairy Supply is Tightening

US output
effected by
harsh weather

+0.9% 

YTD production Jan-
Feb 18/19

The USDA lowered slightly their forecast for 2019 US milk production in the latest WASDE report. Lower cow numbers was cited as the decrease in production as well as adverse weather conditions.

Argentina's
milk collections
fell for fourth
consecutive
month in Feb.

-11%

YTD production Jan-
Feb 18/19

Affected by challenging weather, milk supply started weakening in the December quarter.

EU collections
to fall by -1% in
Q1 2019

-0.8% 

YTD production Jan-
Feb 18/19

France, the Netherlands and Italy are the main markets behind the production decrease. This is offset by increased in Poland, UK and Ireland.

Two-decade
low for
Australia's milk
output

-6.44% 

YTD production June-
Feb 18/19

Rabobank are predicting Australian's 2018/2018 milk output will fall 8% YoY. Pointing to farm margin pressures, cow culling and farm exits, despite good milk prices.

New Zealand's
milk collections
weakening

+3.15% 

YTD production June-
Feb 18/19

As New Zealand is coming to the end of their peak season, milk production was down - 8.25% in Feb 19. Recent rain has arrived too late for any significant improvements before end of 2018/2019 season.

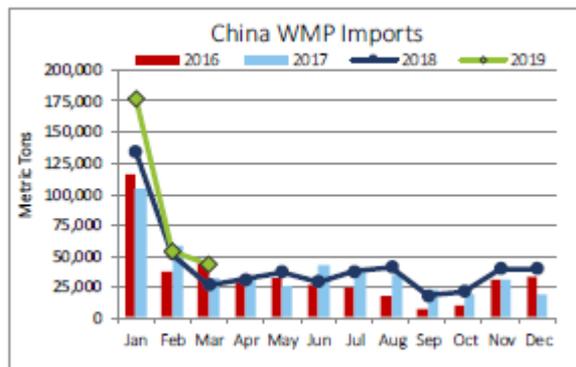
Global demand is robust, particularly in China

China's Q1 2019 dairy imports are the strongest on record up **14%** YoY at 849,878MT

EU exports 28% of this volume



Exports of main exporting regions: **+11.83%**



However, geopolitical issues are feeding into an uncertain economic outlook

GDT forecast to be revised lower

In April, the IMF (International Monetary Fund) revised its 2019 forecast down to 3.3% (down from 3.5%) as signs that higher tariffs are weighing on trade.

Oil prices have increased

Continuing the trend in 2018, oil prices remain volatile in 2019. Most recently the Trump Administration has announced it would not extend the Iran sanction waivers.

Uncertainty remains regarding trade wars and Brexit

Since NAFTA negotiations commenced, Canada and Mexico have been entering new trade deals with New Zealand and EU, while the US has been bogged down renegotiating NAFTA and the Korea-US free trade agreements

Product statistics...

Product output is reflective of reduced milk output at the start of 2019. EU exports are healthy, with cheese exports to Japan up +44% and EU exports of SMP to China are up +172%. Decline in EU butter exports were down significantly as a result of reduced exports to Saudi Arabia (-45%) and competitive pricing from Oceania. All activity is keeping pricing relatively stable.

	Cheese	Butter	SMP
Output (Jan-Feb '19)	 -0.5%	 -0.4%	 -8.1%
Exports (Jan-Feb '19)	 +7.2%	 -21%	 +37%
Price			