


Dairy market *at a glance*

Report – *March 2012*


Prices

- Skimmed Milk Powder
- Whole Milk Powder
- Butter
- Cheese
- Milk

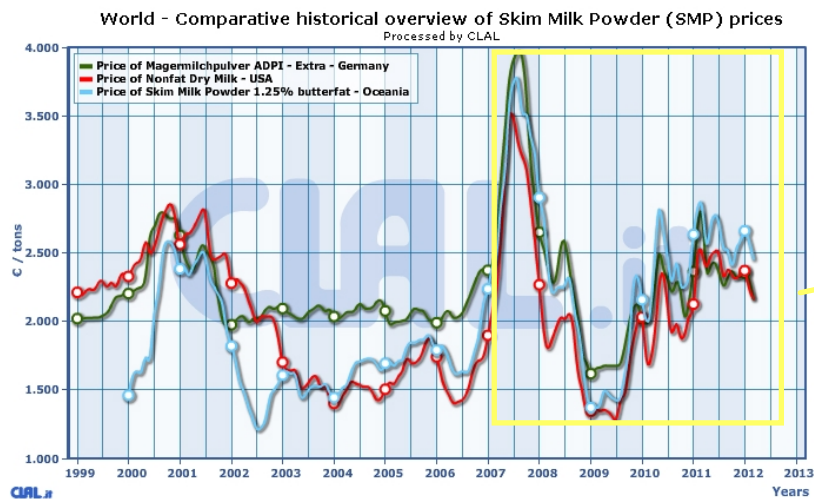
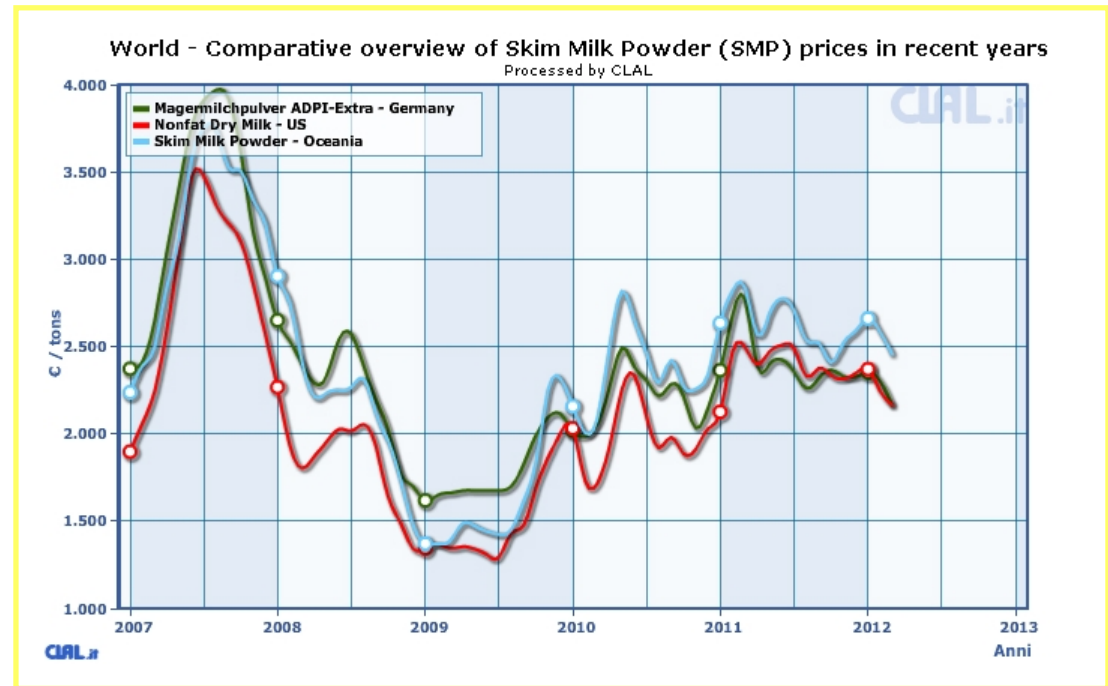
Prices are trending low

Average prices US\$ x ton 	Week n° 11 (12-18 March)	Last month (February 2012)	Last year (March 2011)	2 years ago (March 2010)
OCEANIA				
SMP	3.200	3.369	3.950	2.856
WMP	3.512	3.575	4.638	3.175
Butter	3.650	3.900	4.875	3.725
Cheese (Cheddar)	3.950	4.088	4.425	3.800
USA				
SMP	2.844	2.958	3.483	2.334
Butter - Grade AA	3.340	3.173	4.620	3.232
Cheese - 40#Blocks	3.489	3.260	3.926	2.844

Prices

Average prices Euro x ton 	Week n° 11 (12-18 March)	Last month (February 2012)	Last year (March 2011)	2 years ago (March 2010)
OCEANIA				
SMP	2.451	2.584	2.837	2.090
WMP	2.690	2.742	3.330	2.324
Butter	2.795	2.991	3.500	2.726
Cheese (Cheddar)	3.025	3.135	3.177	2.781
USA				
SMP	2.161	2.247	2.497	1.719
Butter - Grade AA	2.558	2.411	3.313	2.380
Cheese - 40#Blocks	2.672	2.465	2.804	2.096
EU-27 (Germany)				
SMP (ADPI)	2.155	2.305	2.770	2.058
WMP	2.685	2.805	3.505	2.450
Butter	3.120	3.312	4.233	2.845
Cheese (Edamer)	3.050	3.150	3.520	2.825
Whey powder (feed use)	810	894	888	656

Skimmed Milk Powder (SMP)

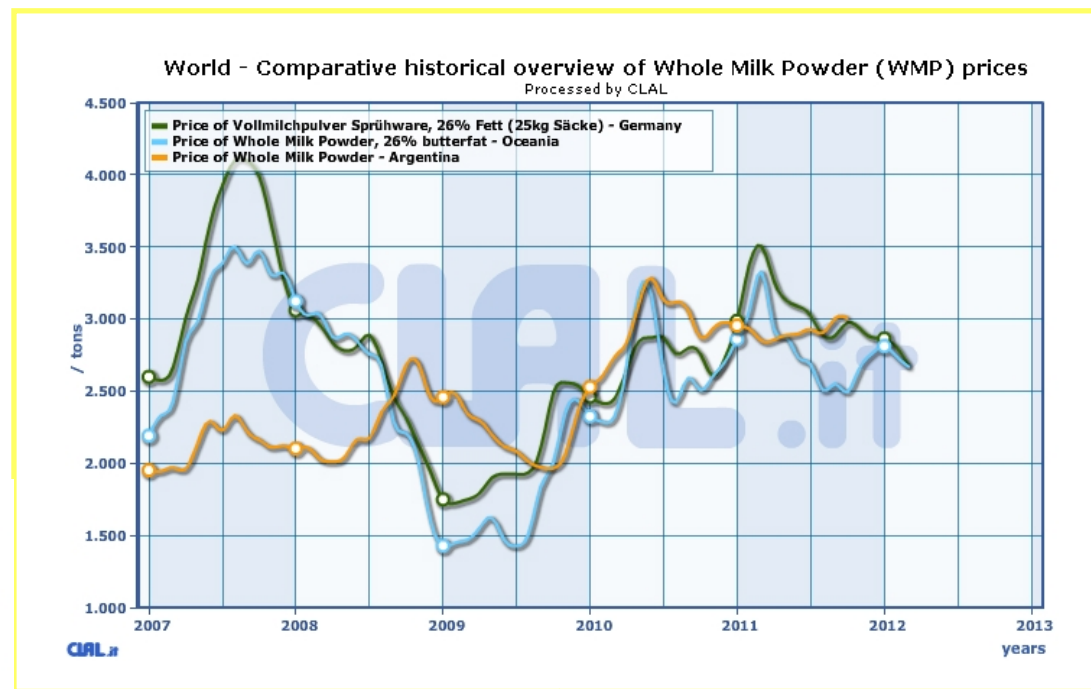
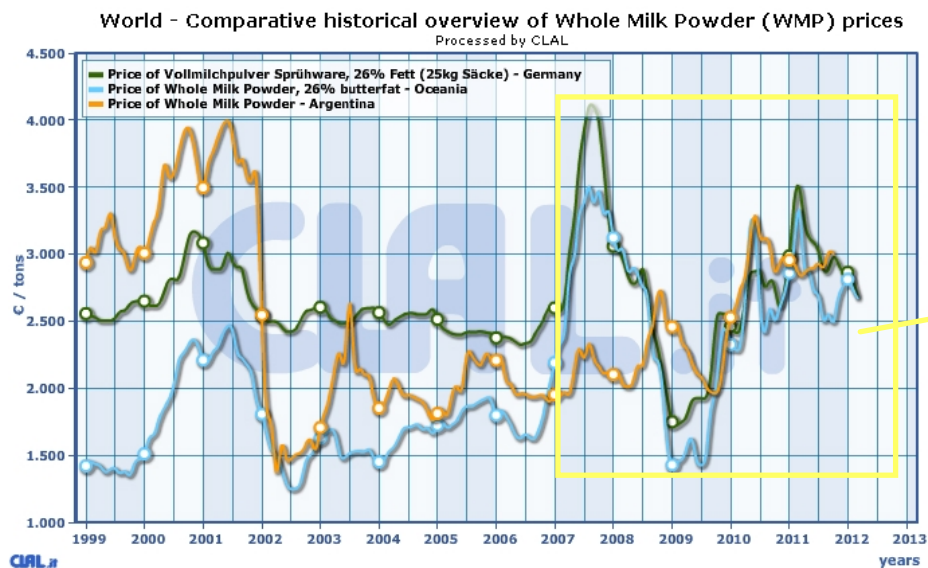


March 2012, Prices:

Oceania: 2.455 € / ton ; USA: 2.165 € / ton ; Germany: 2.163 €/ton



Whole Milk Powder (WMP)

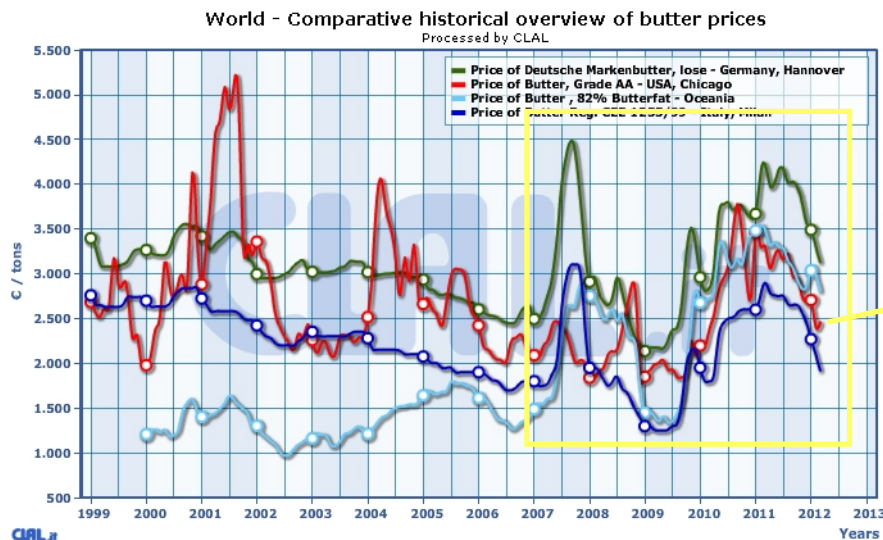
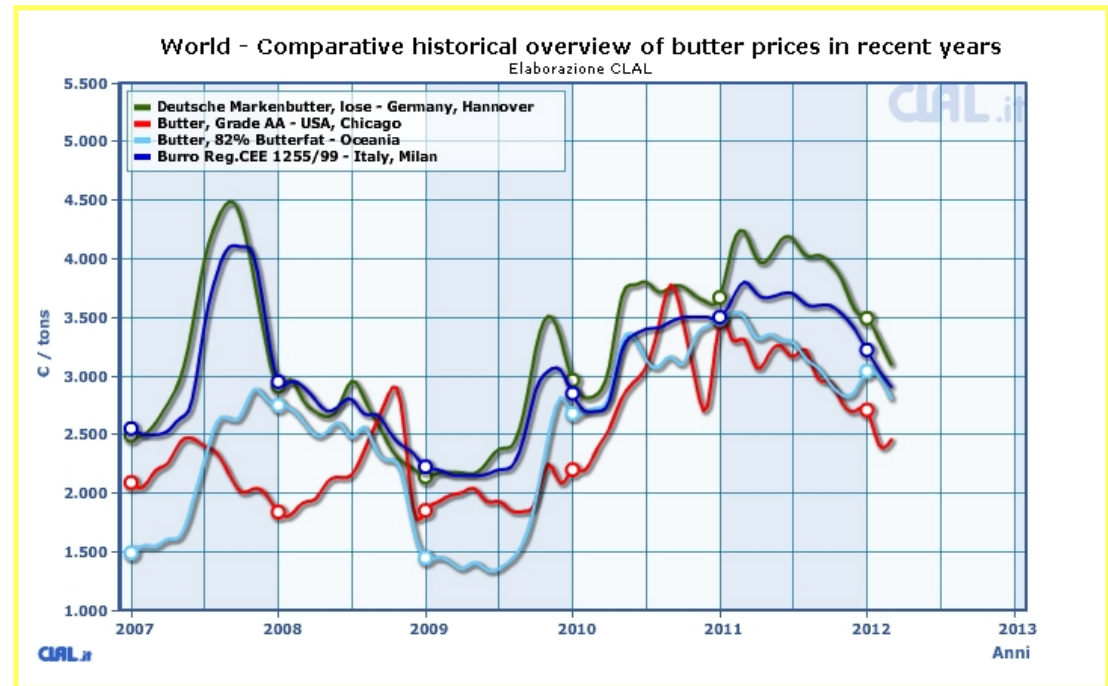


March 2012, Prices

Oceania: 2.669 € / ton; Germany: 2.685 € / ton



Butter



March 2012, Prices

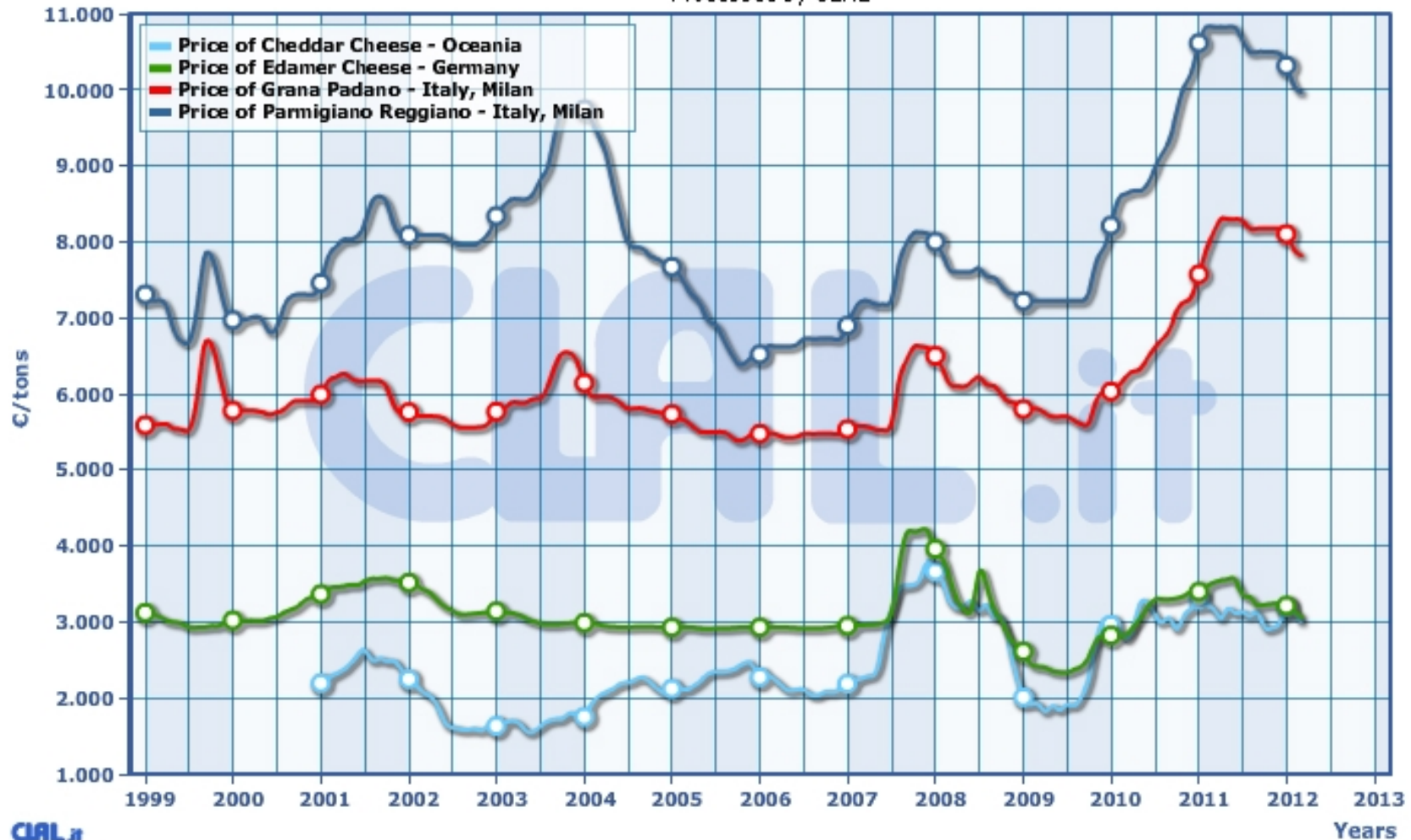
Germany: 3.130 € / ton ; Oceania: 2.806 € / ton
Italy: 2.910 € / ton ; USA: 2.458 € / ton



Cheese

World - Comparative historical overview of the prices of some Cheeses

Processed by CLAL



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March 2012, Prices

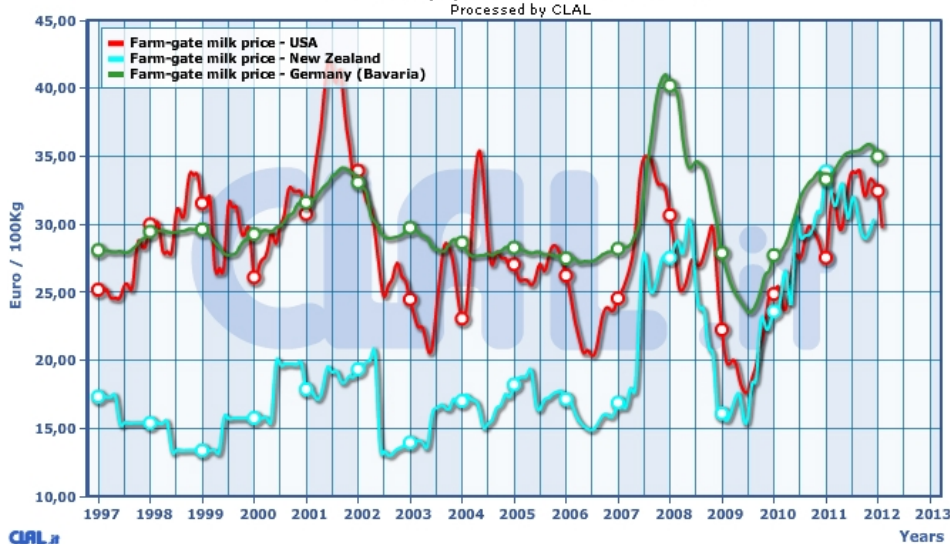
Cheddar (Oceania): 2.996 € / ton ; Edamer (Germany): 3.075 € / ton

Parmigiano 12 months : 9,50-9,85 € /kg. ; Grana Padano 10 months: 7,65 € / kg



Farm-gate milk prices

Historical comparative overview on Farm-gate Milk prices in Bavaria (D), the US, New Zealand



USA (Feb 12): 29,84 €/100kg

- 3,27%

New Zealand (Dec 11): 30,32 €/100kg

- 2,71%



Germany (Jan 12): 35,00(e) €/100kg

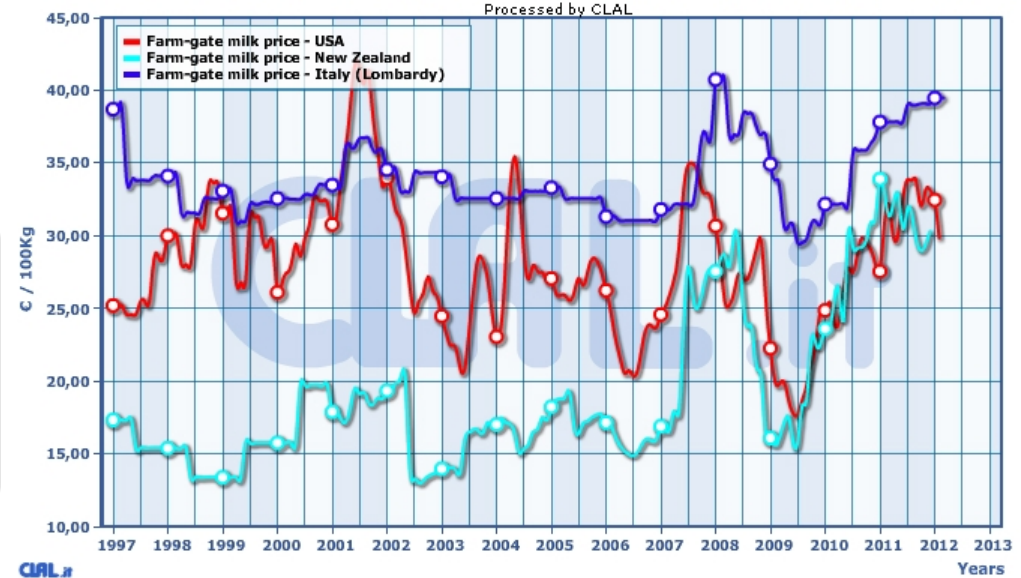
+5,04%

Italy (Feb 12): 40,70 €/100lt

+4,36%



Historical comparative overview between Farm-gate Milk prices Lombardy (I), USA, New Zealand



Farm-gate milk prices rank at higher levels in most countries. Downward pressure on dairy product prices will probably provide fewer returns,

% based on the same month of previous year

Agricultural Inputs affect milk production costs

Italy - Historical comparative overview between Farm-gate Milk price in Lombardy, bran and corn prices

Processed by CLAL

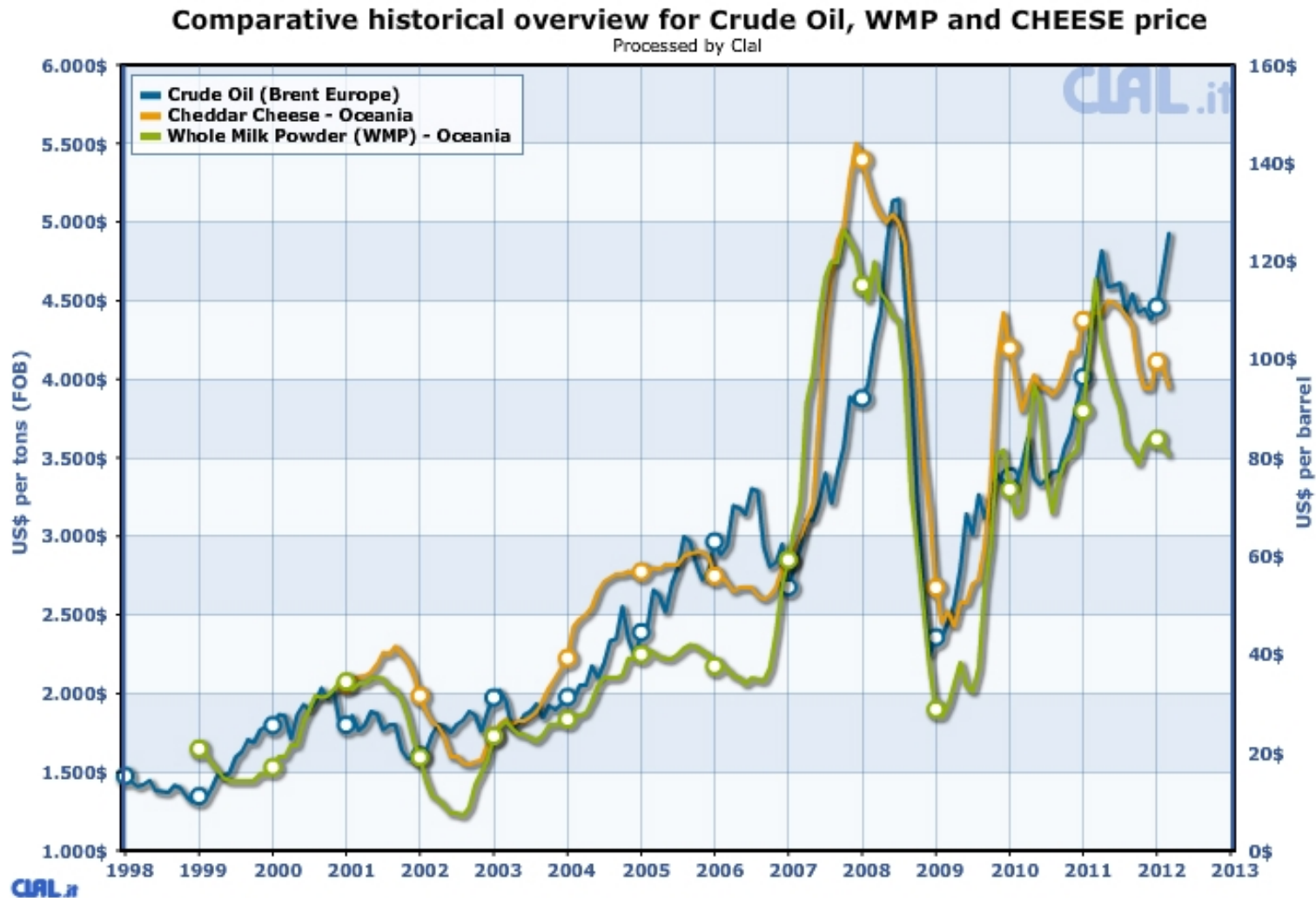


Hybrid Italian corn prices:
205 – 206 € / ton
(13 March 2012)

Agricultural input prices (i.e. corn) trend high, although they are set at lower levels than a year ago.

Energy Inputs affect milk production costs

The crude oil price continues also to rise. The main crude oil producing countries are the most important Cheese and Milk Powders buyers (i.e. Middle East, Russia, Mexico, Venezuela, Nigeria).



What's the reason about the general decreasing in dairy product prices?
Let's look into production and stocks

Production Stocks

- SMP production
- Cheese production
- Butter production
- Butter stock
- SMP stock

Excess milk supply (offer) compared to demand (consumptions and exports) could push down prices of dairy products.

World - Milk Production

Country	Period	Volumes		± % on the same period of previous year
EXPORTING COUNTRIES				
ARGENTINA	Jan 2012	(e) 986	*	+13,32%
AUSTRALIA	Jan 2012	827	*	+5,56%
CHILE	Jan-Dec 2011	2.104	*	+5,05%
NEW ZEALAND	Jan-Dec 2011	18.915	**	+10,47%
UKRAINE	Jan 2012	591	**	+4,84%
EU-27	Jan-Dec 2011	138.270	**	+2,10%
USA	Jan 2012	7.686	**	+3,42%
URUGUAY	Jan 2012	162	*	+24,11%
BELARUS	Jan 2012			+8,28%
IMPORTING COUNTRIES				
BRAZIL	Jan-Sep 2011	(e) 15.788	*	+3,15%
JAPAN	Jan-Dec 2011	7.474	**	-3,20%
RUSSIA	Jan 2012	2.000	**	+6,04%
MEXICO	Jan 2012			+0,26%

(e) = estimated

* Mio litres

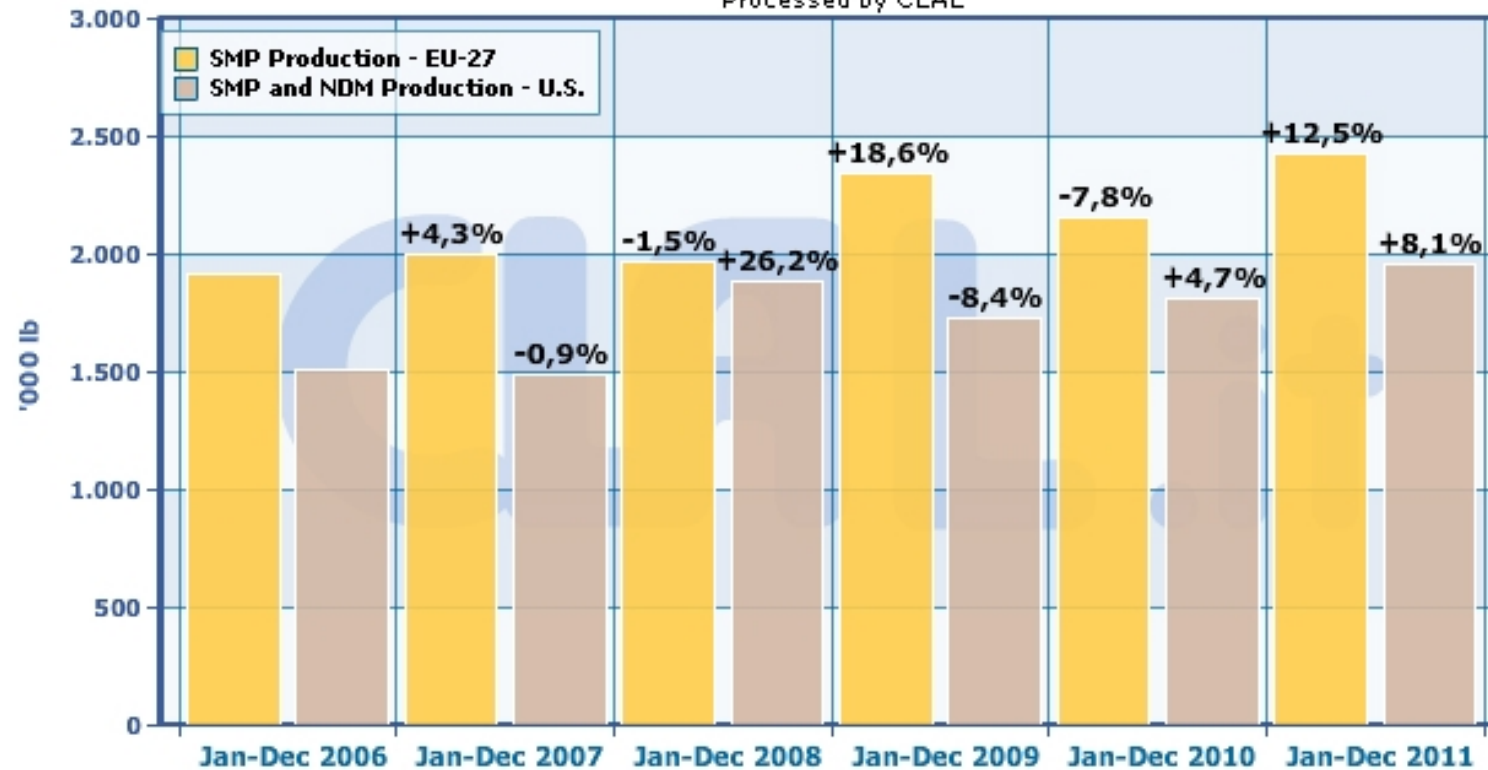
** Thousand of tonnes

Milk production continues to increase and run positive in EU-27, Oceania and US. Current climatic conditions are less favourable in South America, in particular in Brazil and may affect production.

Skimmed Milk Powder global Offer (SMP): How is the trend?

Historical comparative overview of SMP Production
in the EU-27 and U.S. - cumulative monthly data

Processed by CLAL



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EU-27 and US production of SMP in 2011 was significantly higher compared to previous years.

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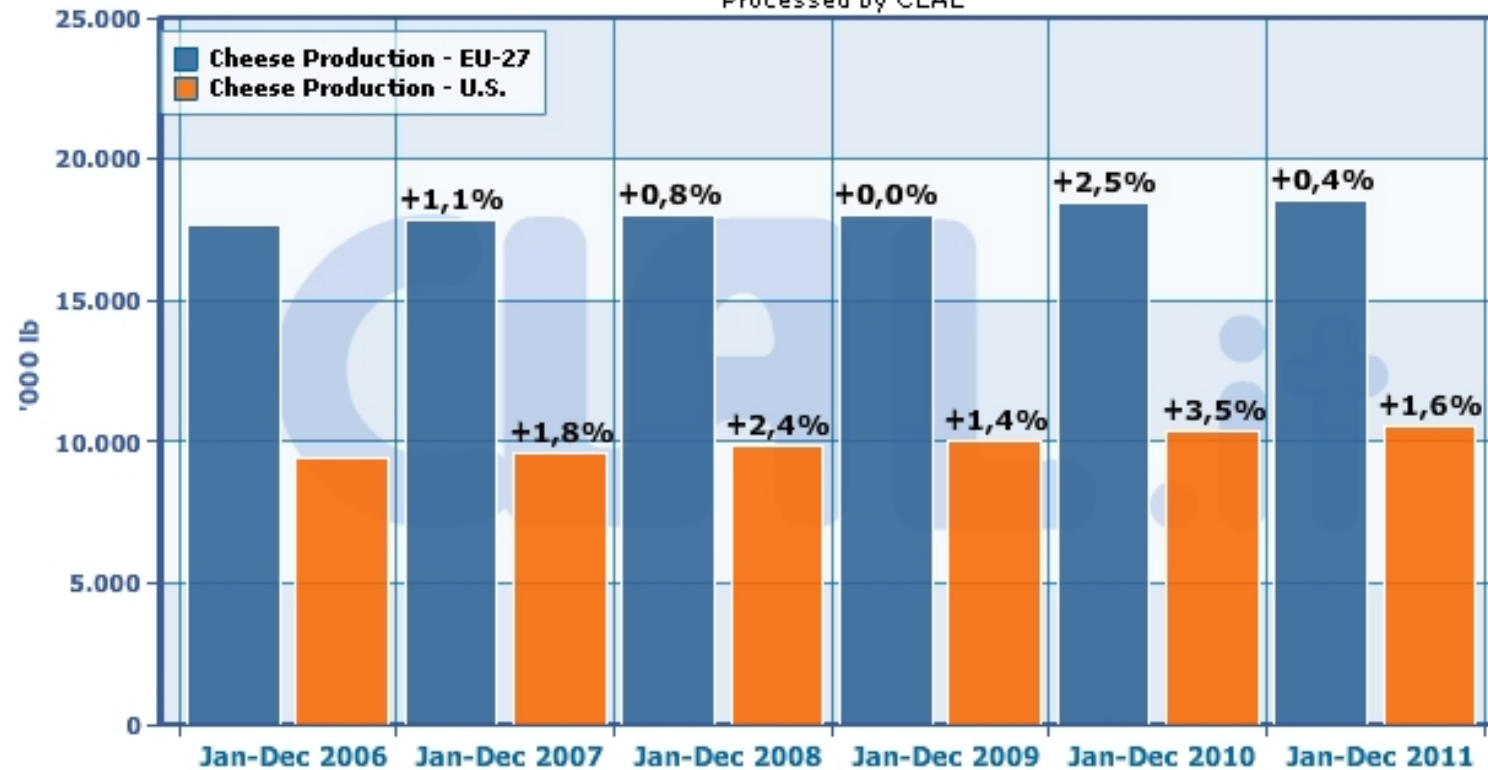
SMP consumption is increasing in Developing countries.

Cheese global Offer:

How is the trend?

Historical comparative overview of Cheese Production
in the EU-27 and U.S. - cumulative monthly data

Processed by CLAL

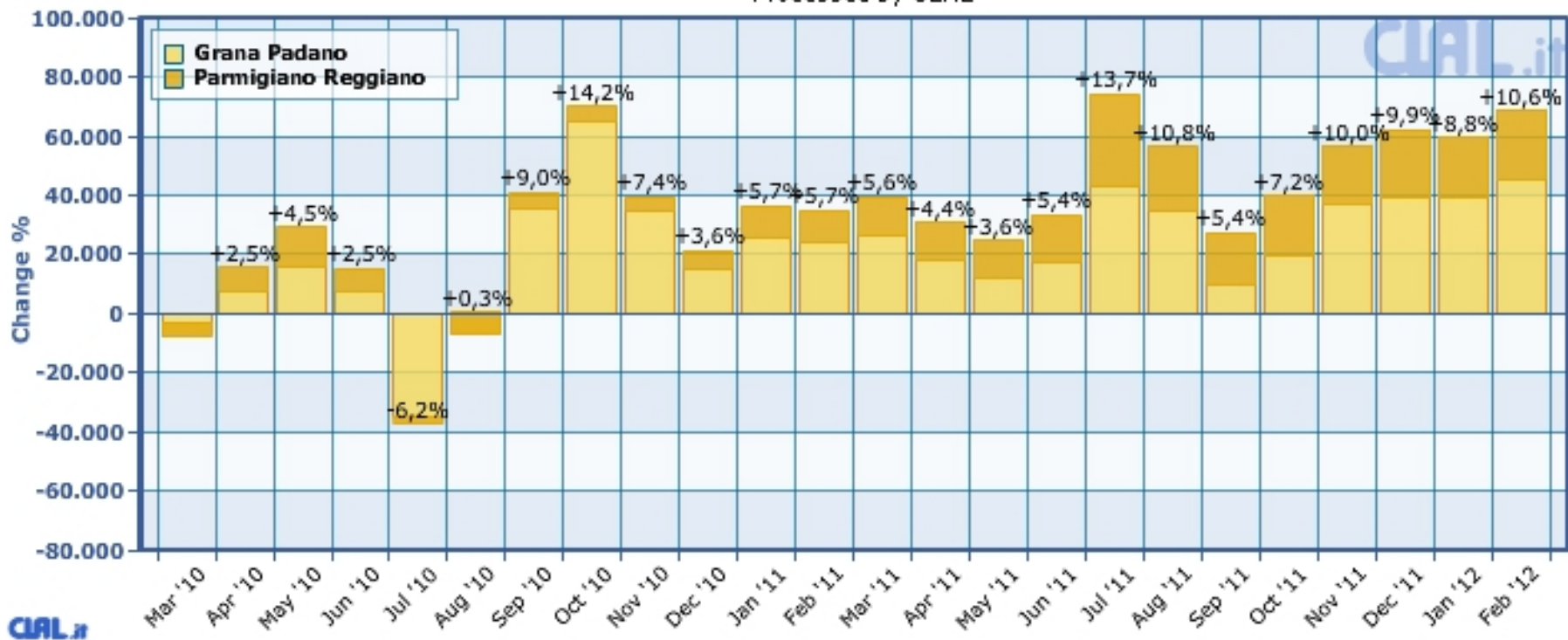


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Cheese production was also positive and the EU-27 is maintaining the leadership in the cheese market both in terms of quantity and quality.

Italian production of Grana Padano and Parmigiano Reggiano

Grana Padano + Parmigiano Reggiano Production
 Changes % are calculated on the same month of previous year
 Processed by CLAL

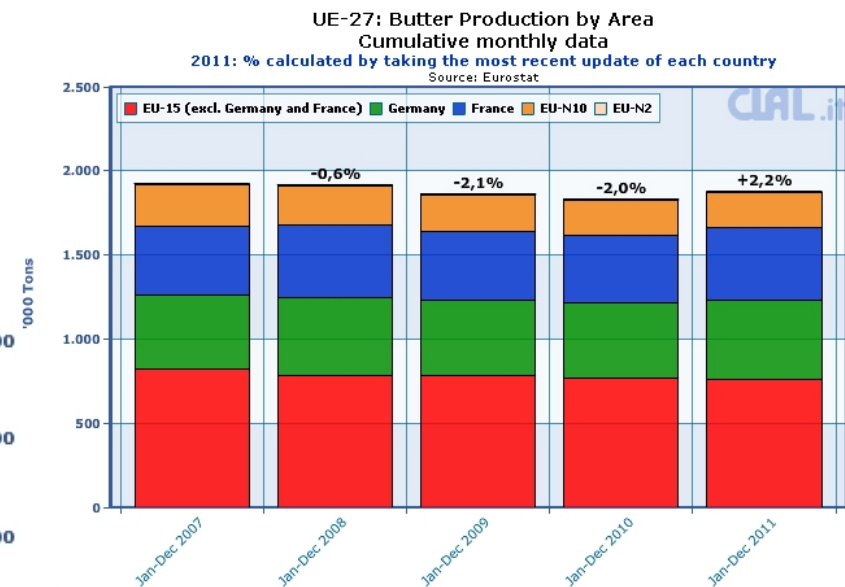
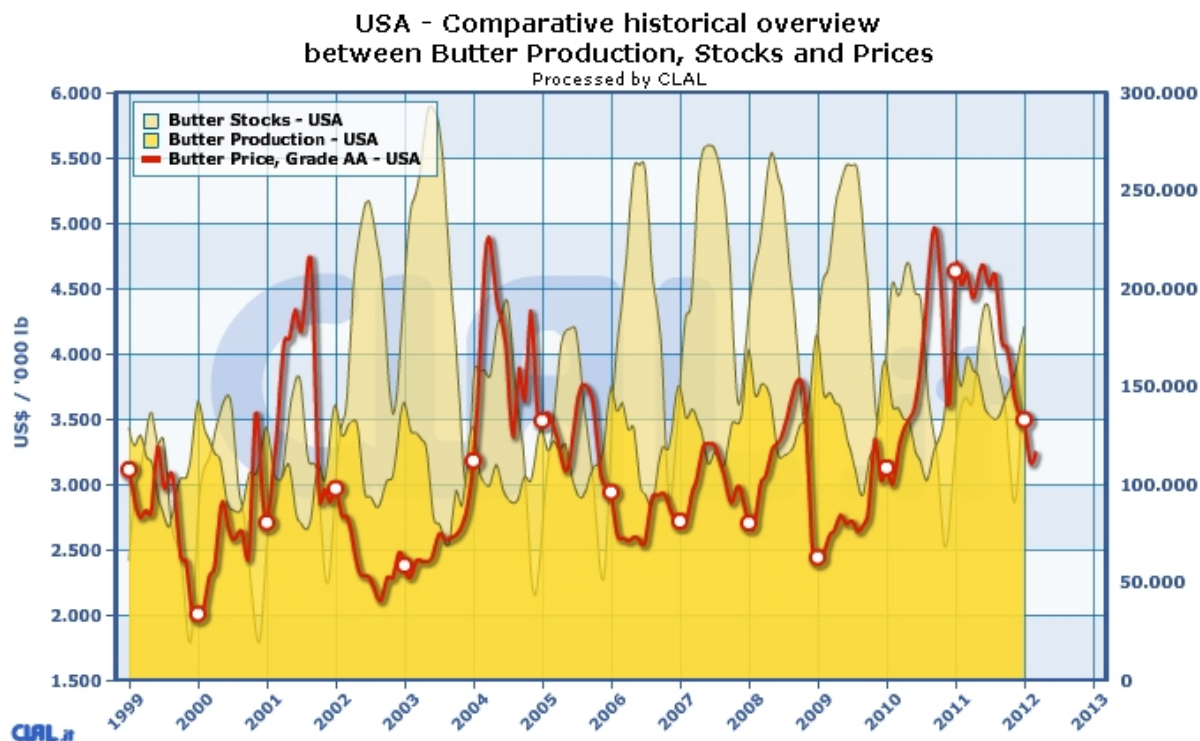


Italian Grana Padano and Parmigiano Reggiano cheese production increased strongly.

Feb 2012 vs Feb 2011 production: **GP: +11,54%, PR: +9,26%**



Butter global Offer: How is the trend?

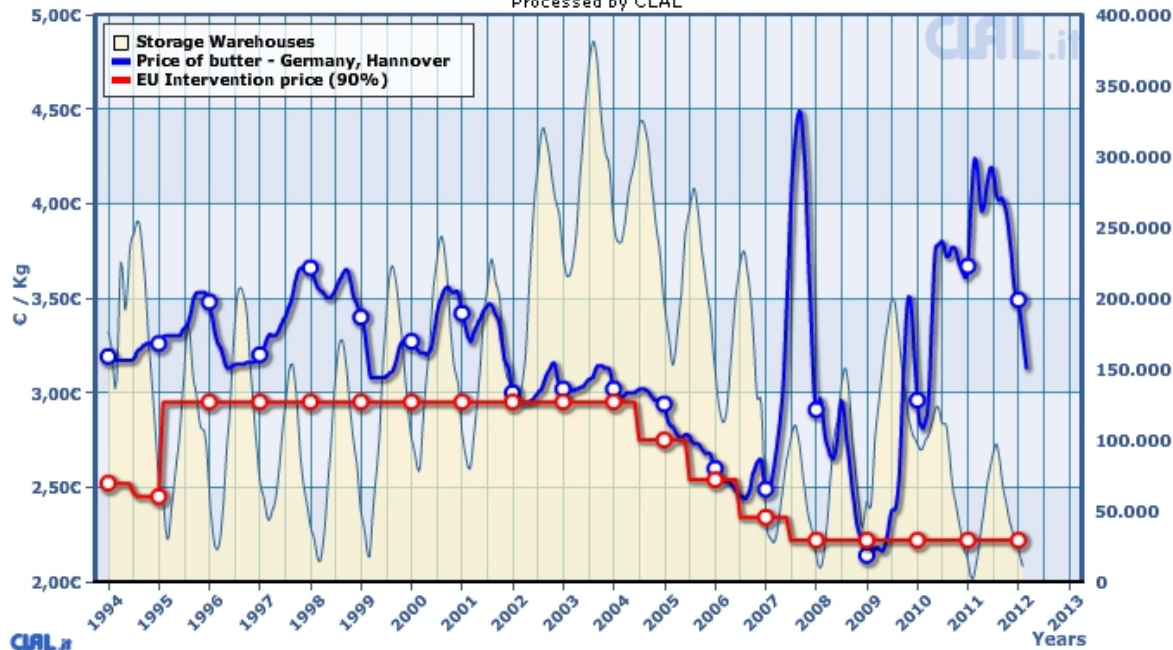


EU-27 butter supply is stable, while in the US, as from 2011, it has sharply increased: +8,51% (Jan 12 vs Jan 11)

Butter Stocks

EU-27 comparative overview for BUTTER stocks, SMP intervention price and BUTTER market price in Germany

Processed by CLAL



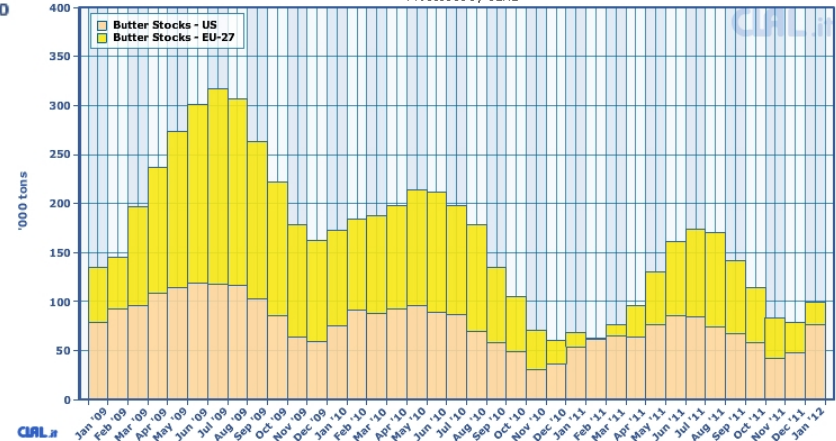
EU-27 Stocks (Feb 12): 10.988 Ton (p)

USA Stocks (Jan 12): 77.648 Ton (p)

Private Storage
(opening: March, 1st)
15.983 Ton *

Comparative historical overview on Butter Stocks in EU-27 and US

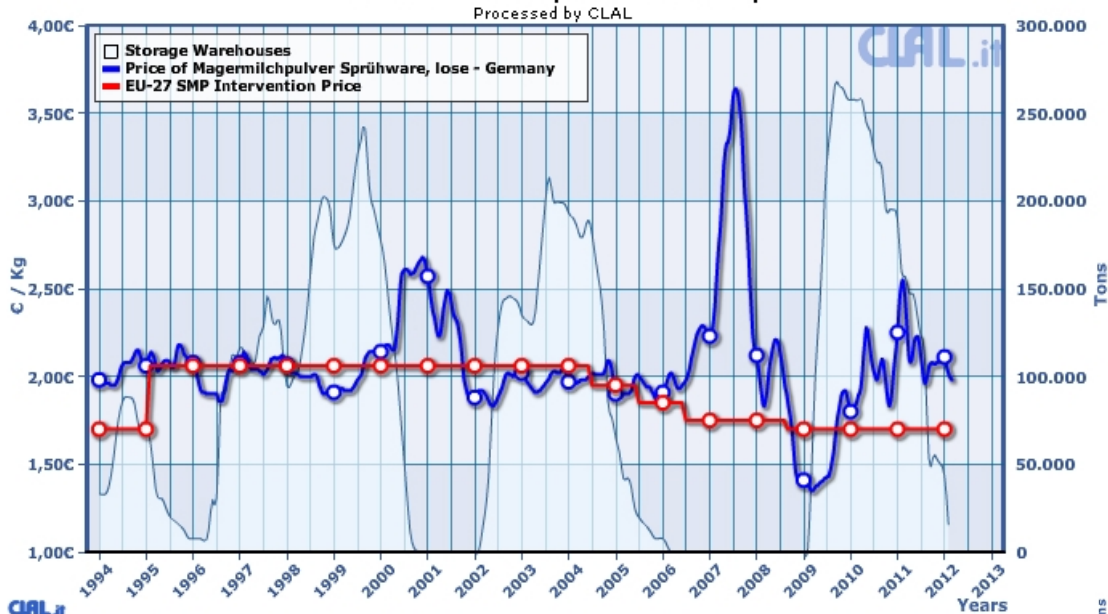
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At the beginning of 2012, Butter stocks of the main Exporting countries were quite low, although from January stock volumes have been higher than last year.

Skimmed Milk Powder Stocks (SMP)

EU-27 comparative overview for SMP stocks, SMP intervention price and SMP market price in Germany



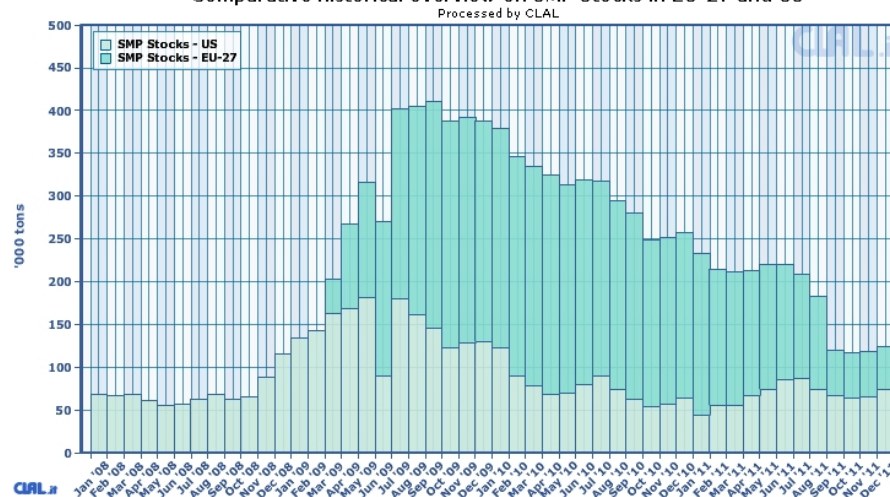
EU-27 Stocks (Feb 12): 15.357 Ton (p)

- 90,39 %

USA Stocks (Dec 11): 74.844 Ton (p)

+13,79 %

Comparative historical overview on SMP Stocks in EU-27 and US



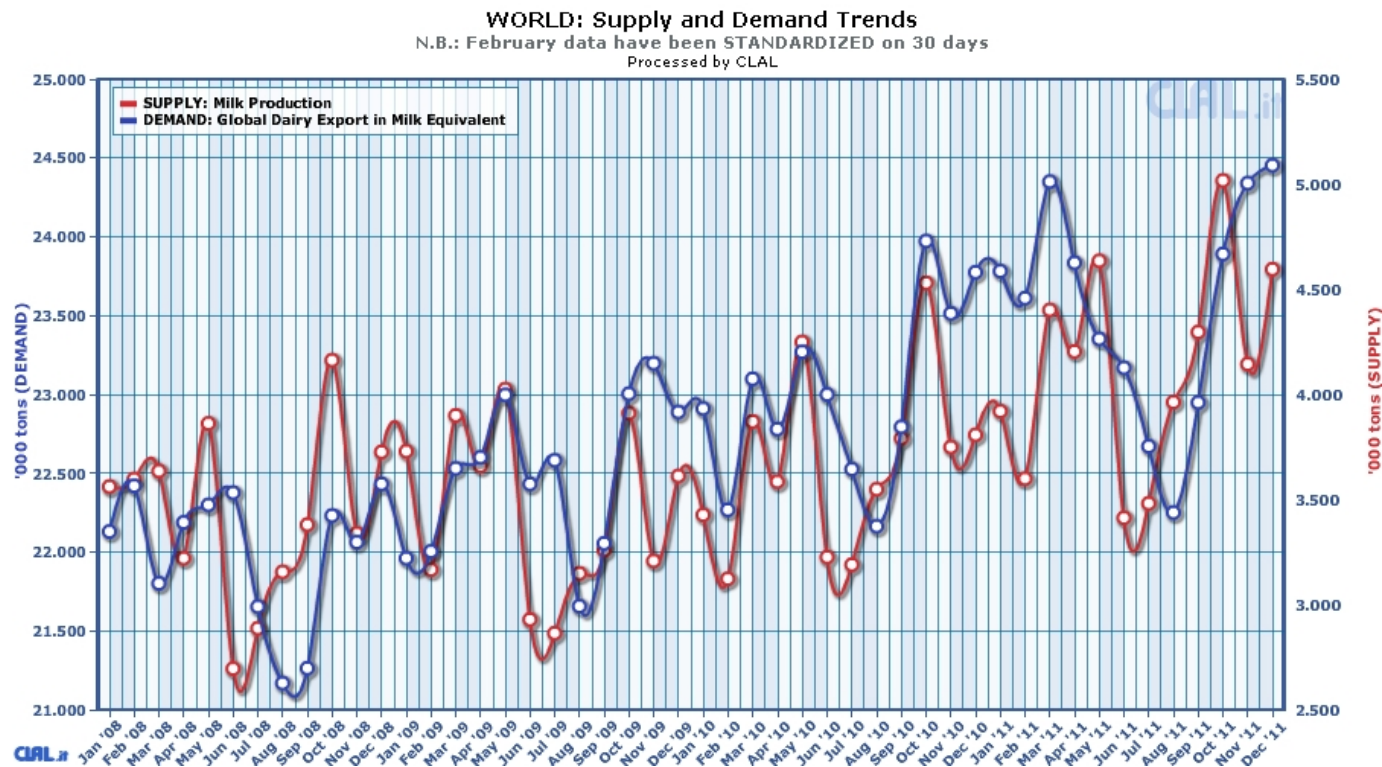
At the beginning of 2012 SMP stocks of the main Exporting countries have been quite low and prices are now weak, although higher than last year.

% based on the same month of previous year

Export Consumption

- *Global Demand*
- *European Exports*
- *Italian Cheese Exports*
- *Global Consumption*
- *Demand and Offer*

Export trend in the world continues to be positive

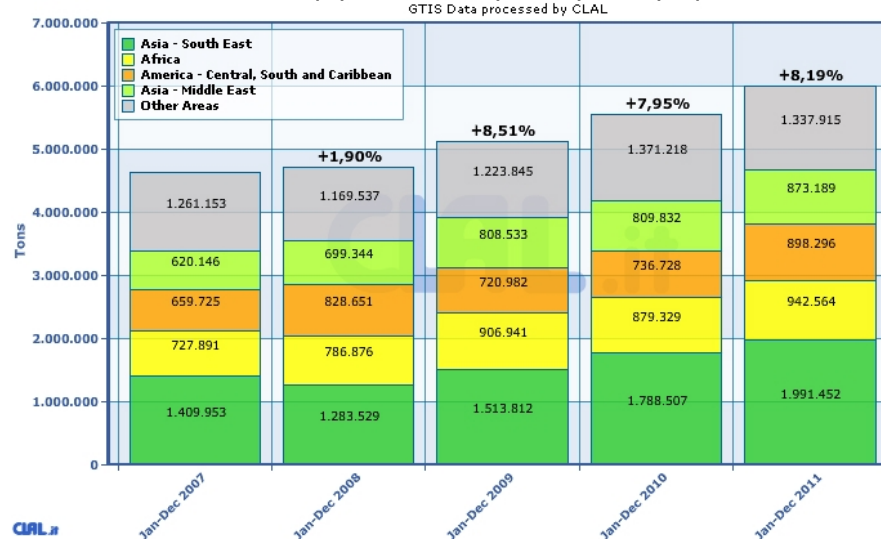


Global Demand:

Dairy products are mainly destined to countries with rapid growth GDP rate.

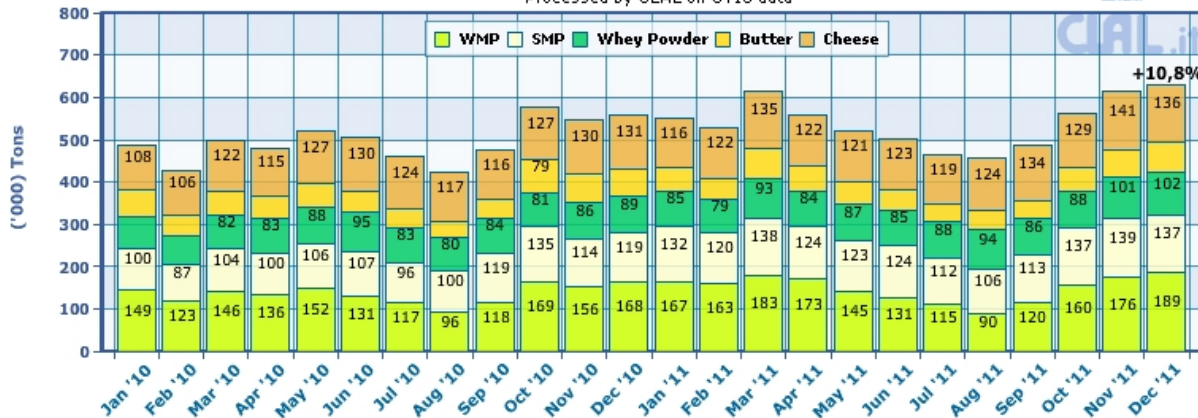
(i.e. China, Russia, South East Asia, Brazil...)

Regional imports for WMP, SMP, BUTTER, CHEESE
(+/- % on the same period of previous year)



WORLD: Monthly Dairy Product Export over the last 2 years

Processed by CLAL on GTIS data



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The global demand is strong: **+8,19%** (2011 vs 2010).

Exports have recovered following a light slowdown in the middle of 2011 and Fonterra Coop. reached a record, expanding its export:

December 2011 ton 253.063 + 26% over the same month of previous year

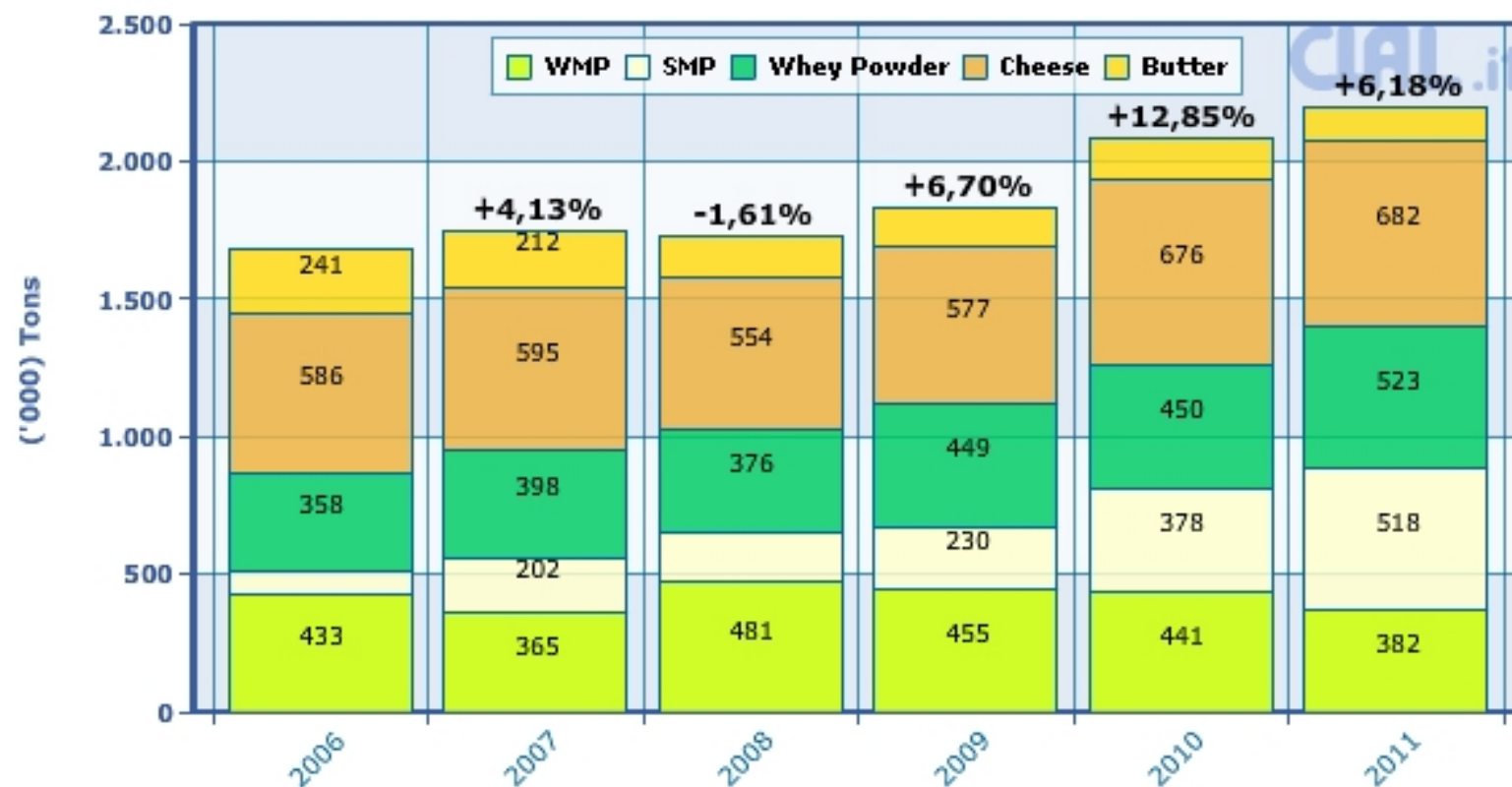
January 2012 ton 248.418 + 27% over the same month of previous year



European Exports

EU-27 DAIRY PRODUCT - Total export

Data processed by Clal based on GTIS source



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In 2011, EU-27 Export trend was positive, although the increase was lower compared to the previous year and to world exports:

World: +8,45% **EU-27: +6,17%**

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Italian Cheese Exports in 2011: still rising

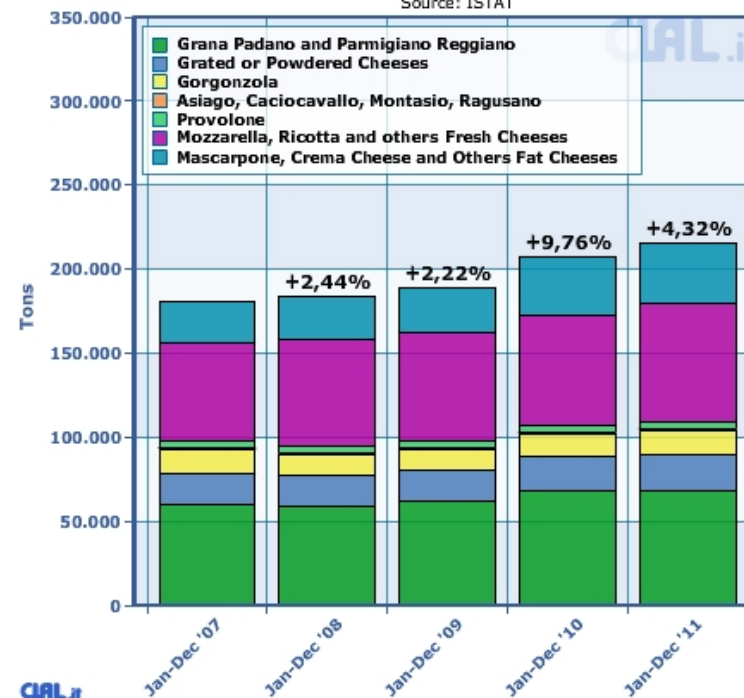
Italy - Main Purchasing Countries of
Grana Padano PDO and Parmigiano Reggiano PDO (04069061)
Processed by CIAl



Grana Padano and Parmigiano Reggiano Exports

+0,63%

Italy - Cumulative monthly data
Cheese Exports
Source: ISTAT



Pecorino and Fiore Sardo Exports

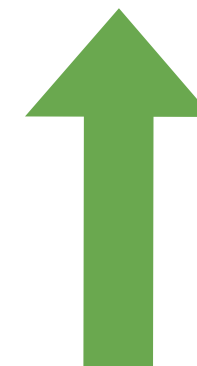
+8,30%

Italian Cheese volumes exported in 2011 were positive, although the increase was lower compared to 2010.

Total Italian cheese value (€) exported: +15%

World consumption: *forecast*

Product	2012 (f) '000 Ton	± from 2011	± from 2010
WMP	3.399	+4,91 %	+10,86 %
SMP	3.480	+2,99 %	+12,88 %
Butter	8.373	+2,13 %	+5,64 %
Cheese	17.375	+1,68 %	+3,16 %



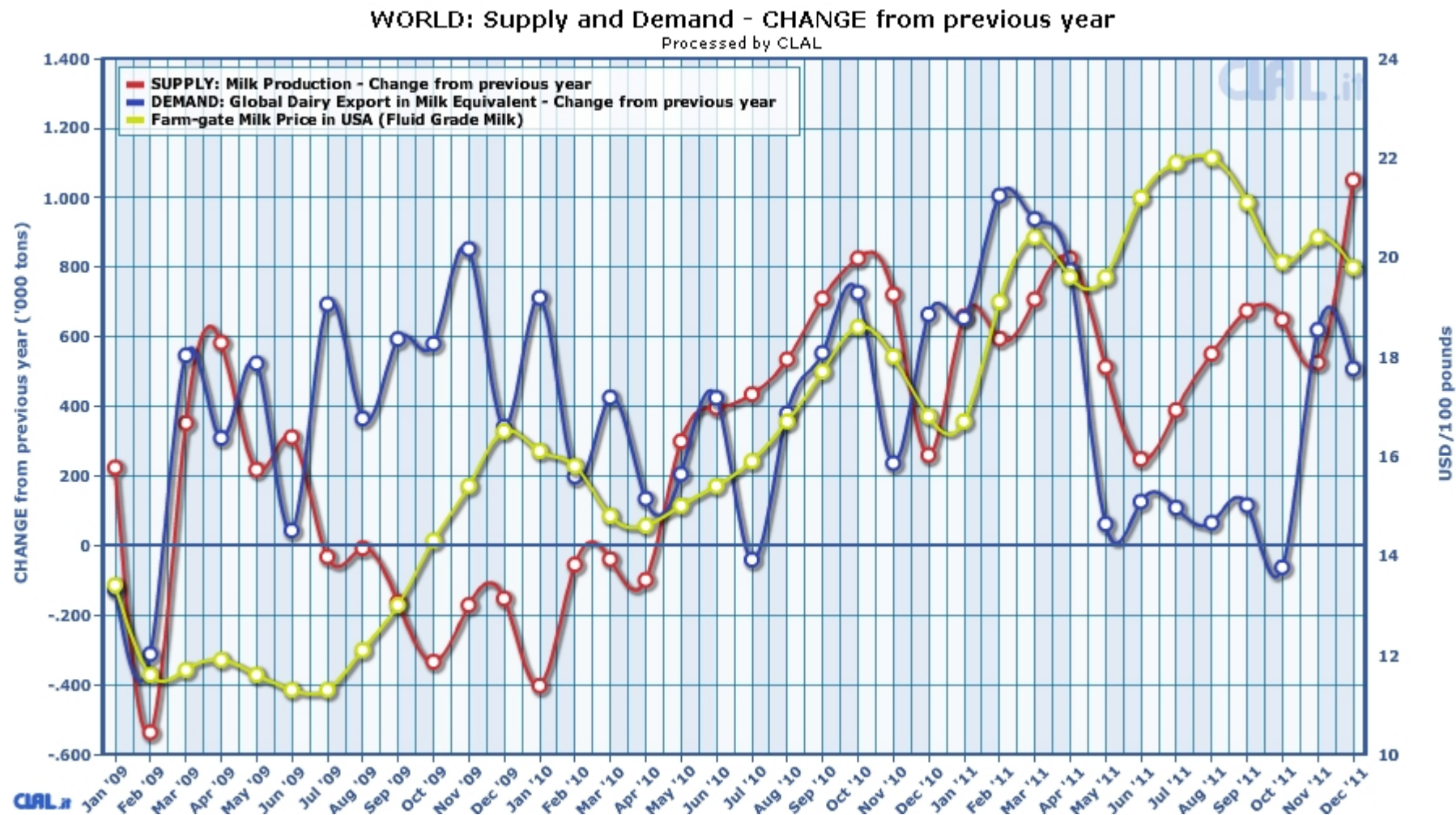
(f) = forecast

Source: FAS-USDA

Based on FAS-USDA consumption is expected to rise, particularly in China (WMP), Brazil (WMP and Cheese), India (Butter and SMP), USA (Cheese and SMP) and EU-27 (Cheese)

Demand and Offer

Given the current milk production and dairy product export trends...



...for the year 2012 it is expected a soft landing in dairy product prices .