# *Dairy Policies and Politics*

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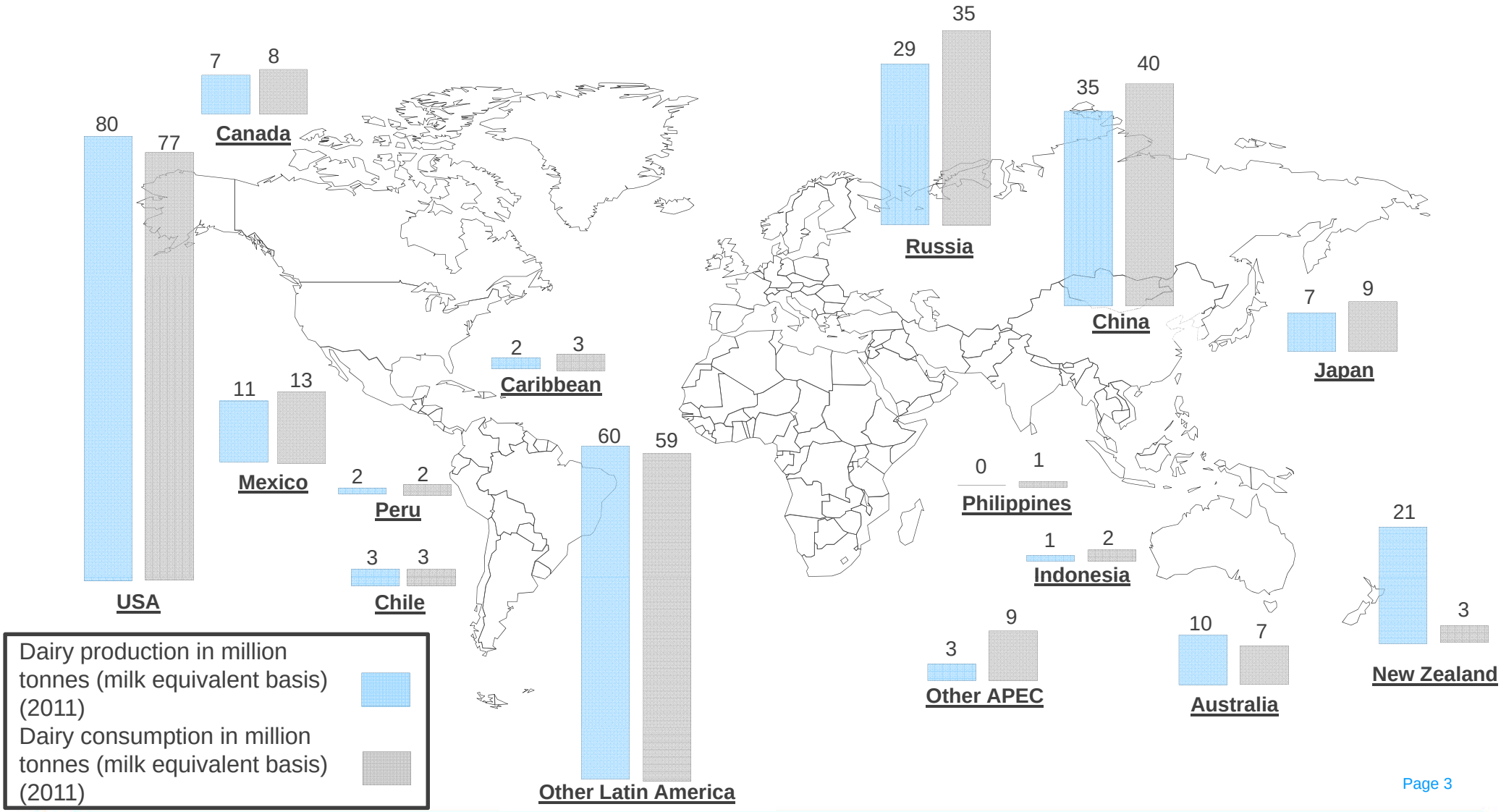
Fonterra

Dairy for life

# Fonterra overview

- Co-operative owned by 10,500 supplier shareholders
- Largest dairy exporter in the world, but only 2-3% of global dairy production
- Leading global dairy ingredients provider, supplying safe, nutritious products to more than 100 markets
- Sells over 2.4 million tonnes of products annually
- 25% of New Zealand's export earnings – one container exported every 5 minutes
- NZD 19.9 billion in revenue (~USD 14.3 billion for FY11)
- 16,000 staff globally (10,000 in New Zealand, 6,000 overseas)

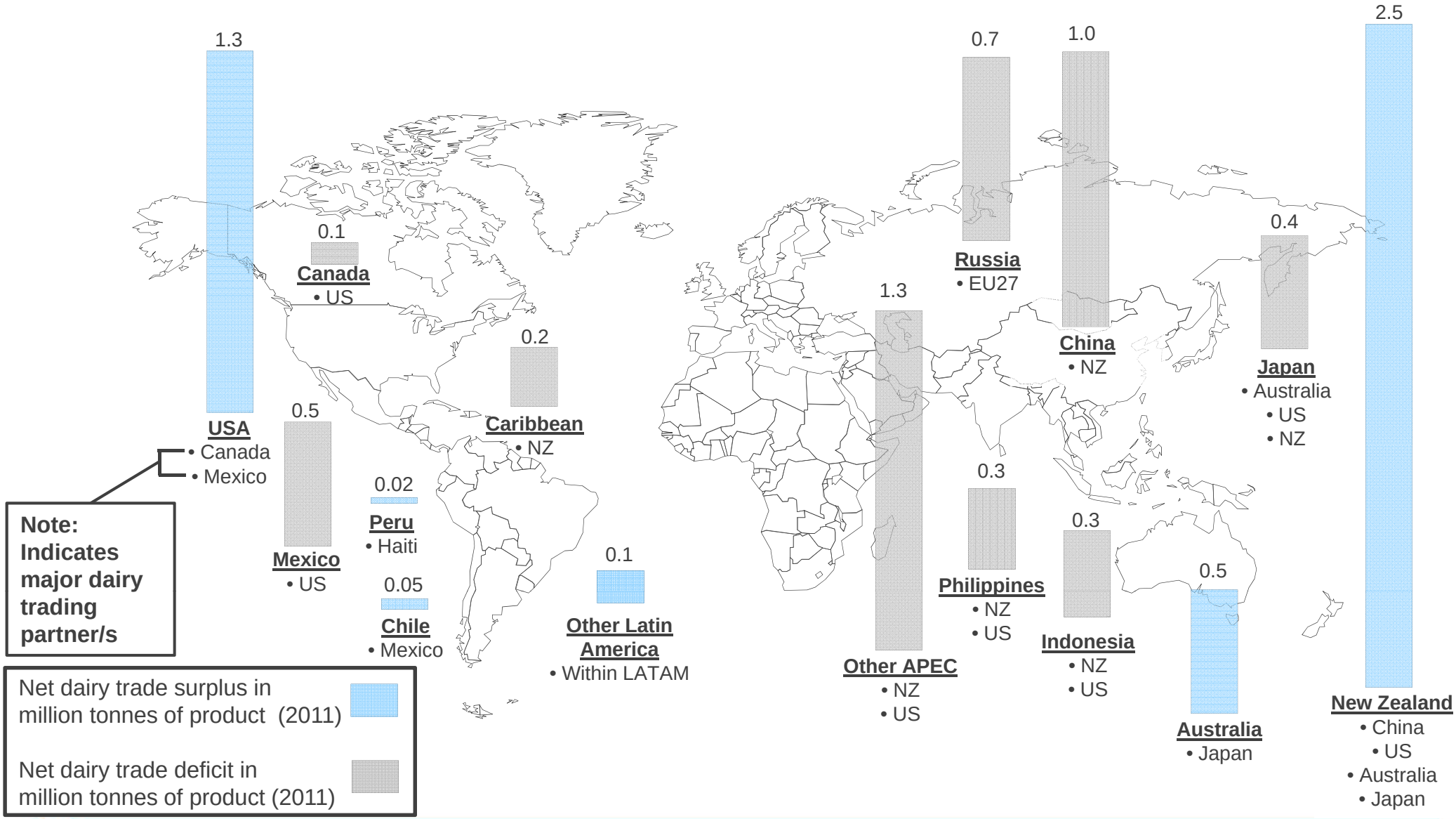
# Dairy production and consumption in the Asia Pacific and LAC regions





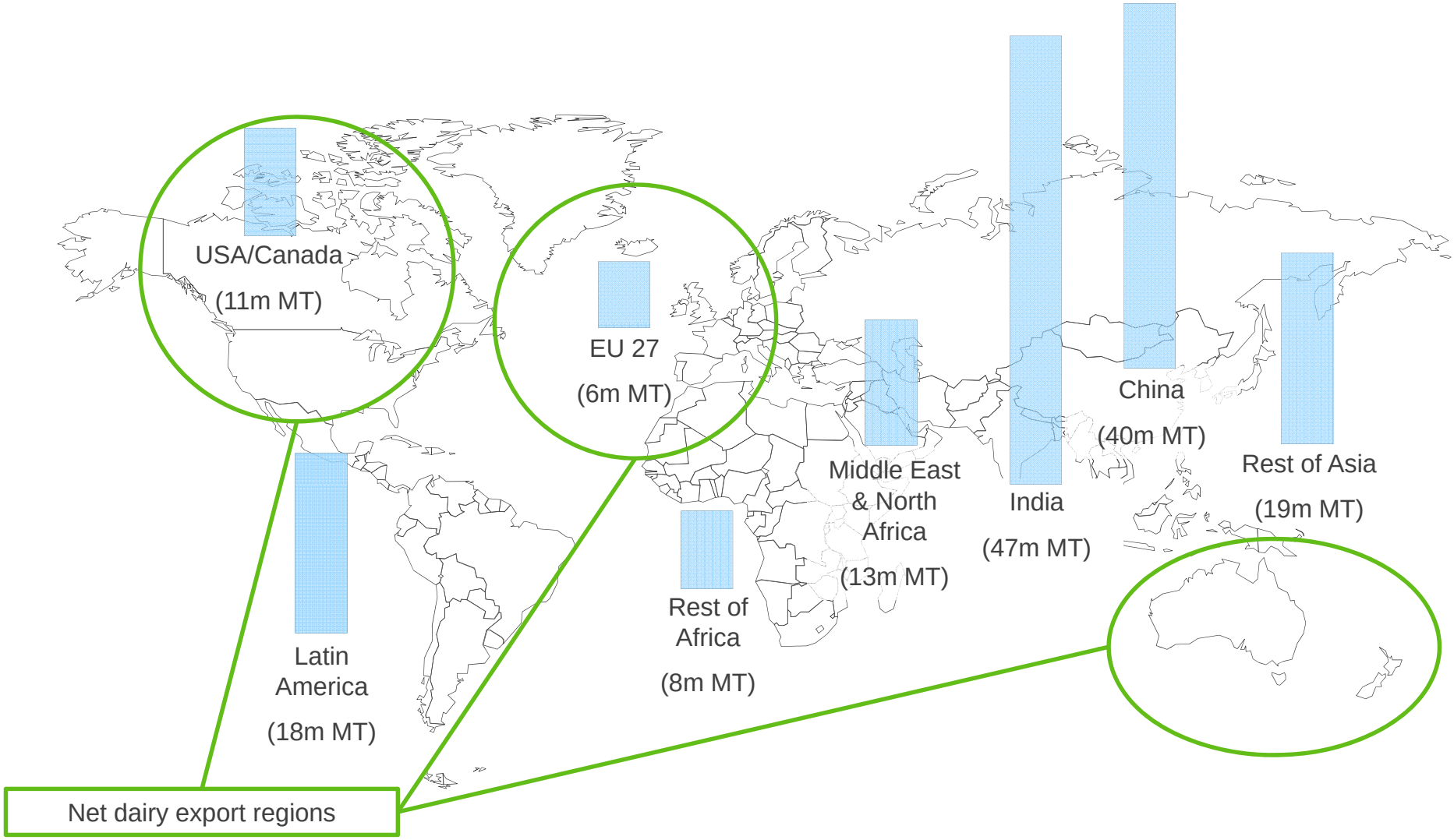

Sources: Fonterra analysis. Milk Equivalent (ME) basis. *Note: Consumption values also include estimated inventory*

# Net dairy trade of countries in the Asia Pacific and LAC regions




Sources: Global Trade Atlas, Fonterra analysis.

# Strong global growth in dairy consumption is expected. Both domestic production and imports will have a role to play



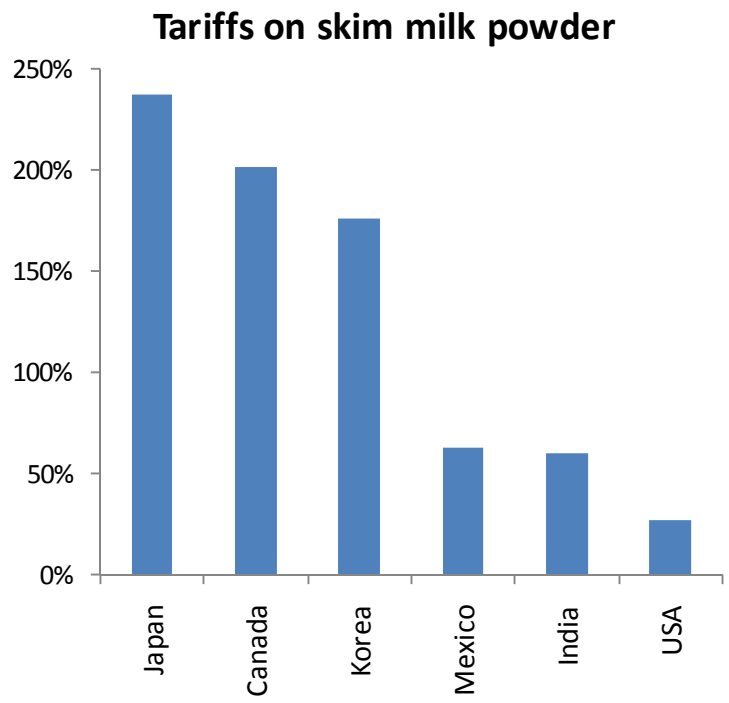

Total dairy consumption growth (million tonnes) over 10 years (2009-2019)



Sources: Fonterra analysis. Milk Equivalent (ME) basis.

# Liberalisation of food and agricultural markets is critical to improving food security

- High tariffs are in place for agricultural goods such as dairy in many markets




Source: Worldtariff.com
Note: Tariffs are MFN or outside quota rates as appropriate. Specific and compound rates have been converted to ad-valorem at an assumed SMP price of USD 3,200 per tonne

- But non-tariff measures also have significant impacts on trade flows

**Add unnecessary costs to trade**

- e.g. non-standard testing requirements

**May practically ban imports**

- e.g. compositional standards

**May act as an outright ban on imports**

- e.g. registration of foreign factories

# Key messages

- The food security challenge: provide improved nutrition to a growing global population with less impact on natural resources
- Strong growth in demand for agricultural goods, including dairy, is expected
- Both local production and imports will have a role to play in meeting demand
- But no country can efficiently be an ‘island’ when it comes to modern nutritional security
- Food security requires greater volumes of food to flow freely from areas of surplus to areas of need – and this requires liberalisation of agricultural trade
- Long term commercial relationships are a key component of food security, and can only occur when markets are open, and investment environments are stable
- Policies that restrict trade or distort agricultural markets mask price signals to producers, act as a disincentive to increasing agricultural production, and can increase food price volatility

Thank You!