Topics covered

+ Hoogwegt Organization
+ Global Dairy Market Landscape
+ US Dairy Global Evolution
+ Opportunities and Challenges
+ Dairy Outlook
+ Conclusion
The Parent Company: Hoogwegt Groep B.V.

- 1965 Established
- Privately held dairy commodity provider
- € 3.5 bn Annual turnover (2014)
- 2 million Metric tons of dairy products
- 6 Continents
- 130,000 TEU/year
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Global Milk Production and Forecasted 10 Year Change

Bubble size = Milk Production - % of global volume (2015)
Bubble color = % change (2015-2024)

SMP Exports (Through September)

- EU-28
- USA
- New Zealand
- Australia

SMP Imports

- China
- Mexico (up to Aug)
- Malaysia (up to Jul)
- Indonesia (up to Aug)
- Russia (up to Aug)
Skim Milk Powder- Imports 2015

Bubble size = Skim milk powder - Imports - % of global volume (2015)
Whole Milk Powder- Major Exporters and Importers (MT)

**WMP Exports (Through September)**
- New Zealand
- EU-28
- Argentina
- Australia
- Uruguay
- United States

**WMP Imports**
- New Zealand
- China
- Algeria (Up to Jun)
- Hong Kong
- Singapore (up to Aug)
- Sri Lanka
Whole Milk Powder - Imports 2015

Bubble size = Whole milk powder - Imports - % of global volume (2015)
Whole Milk Powder - Major Importers

**China**

Jan-Sep 2015 compared to 2014: -52%

**Algeria**

Jan-Jun 2015 compared to 2014: +16%
Cheese - Major Exporters and Importers (MT)

Cheese Exports (Through September)

Cheese Imports

<table>
<thead>
<tr>
<th>Country</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-28</td>
<td>500,000</td>
<td>200,000</td>
</tr>
<tr>
<td>USA</td>
<td>100,000</td>
<td>200,000</td>
</tr>
<tr>
<td>New Zealand</td>
<td>150,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Australia</td>
<td>200,000</td>
<td>300,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia (up to Aug)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>50,000</td>
<td>100,000</td>
</tr>
<tr>
<td>United States</td>
<td>100,000</td>
<td>150,000</td>
</tr>
<tr>
<td>South Korea</td>
<td>50,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Mexico (up to Aug)</td>
<td>75,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Australia</td>
<td>100,000</td>
<td>150,000</td>
</tr>
</tbody>
</table>
Cheese Imports - 2015

Bubble size = Cheese Imports × % of global volume (2015)
Main Importers of Cheese

**Russia**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>248</td>
<td>229</td>
<td>294</td>
<td>296</td>
<td>316</td>
<td>440</td>
<td>316</td>
</tr>
</tbody>
</table>

Jan-Aug 2015 compared to 2014: -48%

**Japan**

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>187</td>
<td>184</td>
<td>199</td>
<td>215</td>
<td>235</td>
<td>236</td>
<td>232</td>
</tr>
</tbody>
</table>

Jan-Sep 2015 compared to 2014: +8%
Butter-Imports 2015

Bubble size = Butter - Imports - % of global volume (2015)
U.S. Exports Growing

Source: USDEC

Total milk solids, % of U.S. production

- Changing Trade Dynamics 2000–2003
- Brave New World 2003–2008
- ‘Ah-ha’ Moment 2008–2010
- Embracing Globalization 2010–2014

Bearing Down – 2015 Forward

Discovery 1990–1995

* YTD through July

Source: USDEC
US Exports Product Mix 1995-2014

US Dairy Export Product Mix

MT


Non-Fat Dry Milk
Whey
Lactose
Cheese And Curd
Butter And Milkfat
Dry Whole Milk & Cream
Yogurt & Other Fermented Milk
Casein

Cheese
Lactose
Whey
Nonfat
US NFDM Exports Growing
US Whey exports

US Whey Exports

MT

Jan-05 May-05 Sep-05 Jan-06 May-06 Sep-06 Jan-07 May-07 Sep-07 Jan-08 May-08 Sep-08 Jan-09 May-09 Sep-09 Jan-10 May-10 Sep-10 Jan-11 May-11 Sep-11 Jan-12 May-12 Sep-12 Jan-13 May-13 Sep-13 Jan-14 May-14 Sep-14 Jan-15 May-15
US Cheese Exports - Significant Growth

US Cheese Exports
US Butter exports - Volatile

US Butter & Milkfat Exports

MT

Jan-05 May-05 Sep-05 Jan-06 May-06 Sep-06 Jan-07 May-07 Sep-07 Jan-08 May-08 Sep-08 Jan-09 May-09 Sep-09 Jan-10 May-10 Sep-10 Jan-11 May-11 Sep-11 Jan-12 May-12 Sep-12 Jan-13 May-13 Sep-13 Jan-14 May-14 Sep-14 Jan-15
US Export Product Mix - 1996 to 2014

1996

- Non-Fat Dry Milk: 7%
- Lactose: 26%
- Cheese And Curd: 11%
- Whey: 41%
- Casein: 1%

2014

- Non-Fat Dry Milk: 28%
- Lactose: 18%
- Whey: 27%
- Cheese And Curd: 19%
- Casein: 1%
- Butter And Milkfat: 4%
US Trade destination evolution: 1996 to 2014

1996
- China: 1%
- Japan & S. Korea: 24%
- Mexico: 19%
- Canada: 14%
- Southeast Asia: 7%
- Oceania: 1%
- Latin America: 9%
- Middle East & Africa: 6%
- Other: 19%

2014
- China: 16%
- Latin America: 8%
- Japan & S. Korea: 11%
- Mexico: 21%
- Southeast Asia: 20%
- Canada: 6%
- Middle East & Africa: 8%
- Oceania: 6%
- Other: 4%
- Middle East & Africa: 8%
- Other: 4%
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Opportunities and Challenges
Opportunities
Export Growth and Potential

Export trade shares (2014)

- EU, 28%
- NZ, 27%
- United States, 18%
- Argentina, 3%
- Australia, 5%
- Uruguay, 2%
- Switzerland, 2%
- ROW, 15%

Source: Rabobank
Surplus/Deficit change 2020

Source: Rabobank
Improving Quality

+ Higher Quality Milk Powders

+ Instant FCMP
Higher Quality Spec Potential Growth

PROJECTED MARKET GROWTH - DAIRY PRODUCTS

<table>
<thead>
<tr>
<th>Product</th>
<th>Market Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yogurt - Low Heat</td>
<td>7%</td>
</tr>
<tr>
<td>Bakery products - High Heat</td>
<td>2%</td>
</tr>
<tr>
<td>Ice Cream - Low Heat</td>
<td>3%</td>
</tr>
<tr>
<td>Biscuits - Medium Heat</td>
<td>2%</td>
</tr>
<tr>
<td>Coffee - Instant</td>
<td>2%</td>
</tr>
<tr>
<td>Chocolate</td>
<td>3%</td>
</tr>
<tr>
<td>Infant Formula Micro spec</td>
<td>10%</td>
</tr>
<tr>
<td>Milk and dairy drinks: Low Heat, high heat stable</td>
<td>[VALUE]</td>
</tr>
</tbody>
</table>
Yearly WPI and WPC (50-89.9) Production

WPI: 110% increase

WPC: 87% increase

Yearly Dry Whey (Human) Production

20% Decrease
Free Trade Agreements- TPP
## NUMBER OF INTERNATIONAL RESTAURANTS AS OF 2013

<table>
<thead>
<tr>
<th>Restaurant</th>
<th>Number of Restaurants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Papa John's</td>
<td>755</td>
</tr>
<tr>
<td>Dairy Queen</td>
<td>802</td>
</tr>
<tr>
<td>Dunkin Donuts</td>
<td>3,005</td>
</tr>
<tr>
<td>Domino's</td>
<td>4,422</td>
</tr>
<tr>
<td>Burger King</td>
<td>4,998</td>
</tr>
<tr>
<td>Starbucks</td>
<td>5,727</td>
</tr>
<tr>
<td>Pizza Hut</td>
<td>5,890</td>
</tr>
<tr>
<td>Subway</td>
<td>10,109</td>
</tr>
<tr>
<td>KFC</td>
<td>11,798</td>
</tr>
<tr>
<td>McDonald's</td>
<td>18,710</td>
</tr>
</tbody>
</table>

Source: Forbes
Previous formally closed markets

+ **Iran:**
  + 2nd largest economy in Middle East and North Africa after Saudi Arabia
  + 2014 GDP of $406.3 billion

+ **Cuba**
  + 2014 GDP: $128.5 billion
  + Population: 11 million
CME and Risk Management

Class III Milk Futures Open Interest

NFDM Futures Open Interest
Challenges
Costs of Building a Plant - 20-30% Higher
Mexico Milk Production

21% Increase
China Milk Production

Source: Rabobank

Figure 1: Share of milk supply by farm size, dairy farm count by farm size in China, 2008-2011

Source: China Dairy Statistical Summary, Rabobank, 2013
Trade Financing - US lacks appetite

Lead Arrangers of All Trade Finance - Full Year 2014 - Market Share (Dealogic)

- Citi
- Mitsubishi UFJ
- HSBC
- ING
- Sumitomo Mitsui
- Mizuho
- Credit Agricole CIB
- BNP Paribas
- SG Corporate & Investment Banking
- Deutsche Bank

Trade Financing - US lacks appetite
Governmental Challenges

+ Free Trade Agreements
  + EU and Colombia/Peru
  + EU and Mexico- more dairy?
+ COOL
+ Federal Order Milk Pricing
+ Closed markets (Russia)

US Dairy Exports to Colombia and Peru

- Projected 2015
EU- Removal of Quotas in 2014

Removal of Quotas
Recent and New EU Plant Investments 2012-2017

Estimated EUR 2.35 Billion in investments!

8 new whey plants: EUR 496 million
5 new infant formula plants: EUR 662 million
10 new milk powder plants: EUR 661 million
Currencies– Dollar Strength

Euro – US Dollar

NZ Dollar – US Dollar
Currencies - Market Floor Shifting

EU Intervention Price Equivalent in $/LB

- High: $1.07/lb
- Low: $0.81/lb

26% Decline in 18 months
Quality and Product Differences

+ White butter vs. yellow butter in Middle East
+ Cheese Color
+ Taste and odor differences of FCMP & AMF
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Volatility!

Dairy Commodity Export Prices (f.o.b Oceania)

Source: USDA, Rabobank
Production Growth

Milk production growth of Big 7 exporters combined

Rabo forecast YOY production growth

<table>
<thead>
<tr>
<th>Country</th>
<th>1H 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Arg</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Braz</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Uru</td>
<td>-0.5%</td>
</tr>
<tr>
<td>EU</td>
<td>0.2%</td>
</tr>
<tr>
<td>USA</td>
<td>0.5%</td>
</tr>
<tr>
<td>Aust.</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Rabobank
General price direction, upside and downside influences

**Upside influences**
- Modest start to the new season in Oceania
- Strong seasonal demand in the Northern hemisphere
- EU supply starts reacting to lower milk prices
- Further weakening of Southern hemisphere supply due to low milk prices
- El Nino?
- US supply starts reacting to low milk prices
- China slowly returns to higher import levels
- Commodity prices are translated into lower retail prices

**Downside influences**
- Russian remains absent
- Chinese import demand remains weak due to local stock absorption, strong local milk supply and weak local demand
- Low oil prices reduce purchasing power of oil producing dairy importers
- Overall weak import performance due to strong import buying in H1 2015

Source: Hoogwegt
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+ Challenges and Opportunities
+ Dairy Outlook
+ Conclusion
Conclusion

+ We are part of a global economy and cannot escape.
+ If we want to grow we need to think globally and give attention to global customers.
+ Adaptability and agility is key to success.
Thank you for your attention

www.hoogwegtus.com