

WHAT DOES \$5.25 MEAN TO THE NZ ECONOMY?

GLOBAL ECONOMIC CONDITIONS ARE CHALLENGING AND HAVE AN IMPACT ON DEMAND FOR DAIRY PRODUCTS. AN IMBALANCE BETWEEN SUPPLY AND DEMAND PUTS PRESSURE ON GLOBAL MILK PRICES.

ICON KEY:

- BREEDING & HERD RAISING
- PRODUCTION COSTS
- SEASONAL CONDITIONS
- SPENDING POWER
- POPULATION & DEMOGRAPHIC
- HEALTH & LIFE STYLE
- GLOBAL ECONOMIC CIRCUMSTANCE
- TRADE POLICY

SUPPLY

Efficiency through a supply chain ensures a resource is being used to it's full potential.



- FAVOURABLE
- POSITIVE REPUTATION
- LOW
- BENEFICIAL

DEMAND

A **shortage** is the result of demand for NZ dairy products exceeding supply in a market.



- GROWTH
- INCREASE
- INCREASING
- POSITIVE

SUPPLY DECREASES

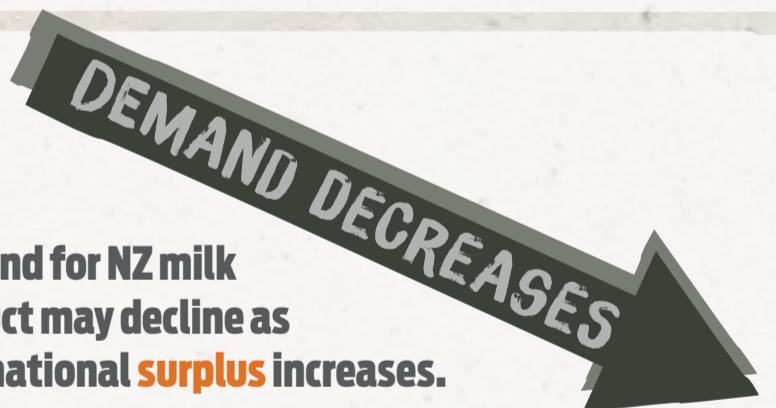
NZ dairy farmers have decreased their supply of milk product in response to an international over **supply** (a glut in the market).



- UNFAVOURABLE
- INELASTIC
- INCREASING
- CHANGE IN POLICY

DEMAND DECREASES

Demand for NZ milk product may decline as international **surplus** increases.



- DECREASING
- DOWNTURN
- HEALTH SCORE
- UNFAVOURABLE

Exports are 30% of GDP with the dairy industry being NZ's biggest export earner (\$14 billion a year).

$$\text{GDP} = C + I + G + (X - M)$$

GROSS DOMESTIC PRODUCT
CONSUMPTION GOVERNMENT EXPENDITURE INVESTMENT EXPORTS IMPORTS
NET EXPORTS

New Zealand
GDP = \$239 billion

There are three basic keys to strengthening global dairy markets; a pullback in milk production, destocking and demand expansion.