

JANUARY 2018

GLOBAL DAIRY UPDATE



- In December, there was a significant decrease in Fonterra's New Zealand milk collections, down 6% compared to December last year.
- Fonterra's forecast milk collection in New Zealand for the 2017/18 season was lowered to 1,480 million kgMS.

[To view the latest on Fonterra milk collection –](#)

[To view the latest Fonterra GlobalDairyTrade results –](#)

[To view charts that illustrate year-on-year changes in imports, exports and production –](#)

KEY DATES



28 February 2018
Deadline for Application to Supply Fonterra

Late March 2018
FY18 Interim Results Announcement

Late May 2018
Q3 Business Update Announcement

1 June 2018
Measurement Date for Share Standard 2018/19 Season

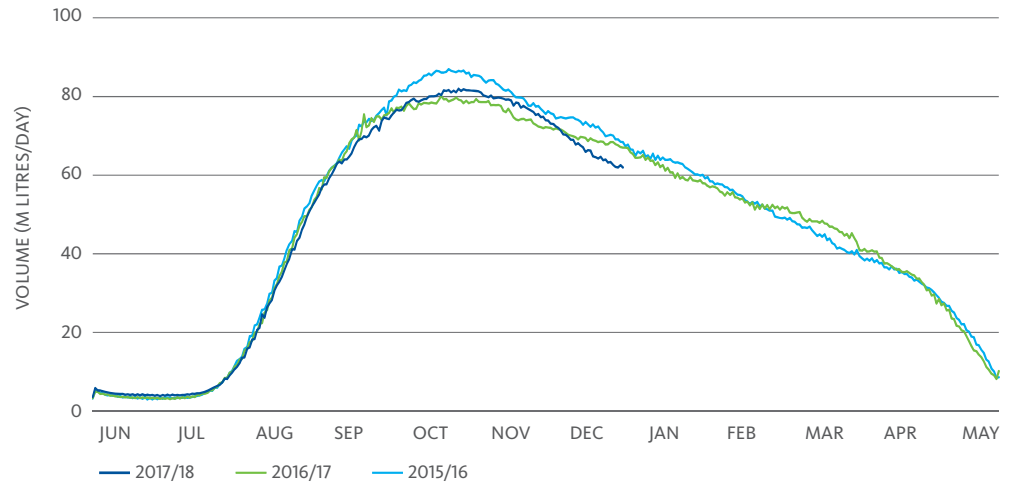
OUR MARKETS

FONTERRA MILK COLLECTION 2017/18 SEASON



To view a table that shows our detailed milk collection in New Zealand and Australia compared to the previous season –

NEW ZEALAND MILK COLLECTION



NEW ZEALAND

0% ↓

Decrease for the season from 1 June to 31 December

Fonterra’s milk collection across New Zealand for the seven months to 31 December reached 878 million kgMS, slightly down on the same period last season.

Fonterra’s New Zealand milk collections in December declined by 10 million kgMS, or 6%, due to dry weather across the country.

NORTH ISLAND

1% ↓

Decrease for the season from 1 June to 31 December

North Island milk collection in December reached 102 million kgMS, 8% behind December last season.

Dry, hot weather in December caused the large decrease in production. Wet conditions in early January will help in some regions, however further rain in the next few weeks will be needed to see any recovery in production, particularly in Waikato, Taranaki and Central Districts.

SOUTH ISLAND

1% ↑

Increase for the season from 1 June to 31 December

South Island milk collection in December reached 74 million kgMS, 1% behind December last season.

AUSTRALIA

27% ↑

Increase for the season from 1 July to 31 December

Fonterra’s milk collection across Australia for the six months to 31 December reached 86 million kgMS, 18 million kgMS higher than last season.

December milk collection reached 16 million kgMS, 28% higher than December last season. Growth continues to be driven by new suppliers to the Co-operative and strong seasonal conditions across Australia.

Forecast Fonterra Milk Collection Across New Zealand

1,480M
KGMS

A decrease of 3% on last season

In December Fonterra lowered its forecast milk collection from 1,525 million kgMS to 1,480 million kgMS, a 3% decrease on last season’s collection of 1,526 million kgMS. Dry weather in early December significantly impacted soil moisture and pasture quality across the country. While the recent wet conditions have

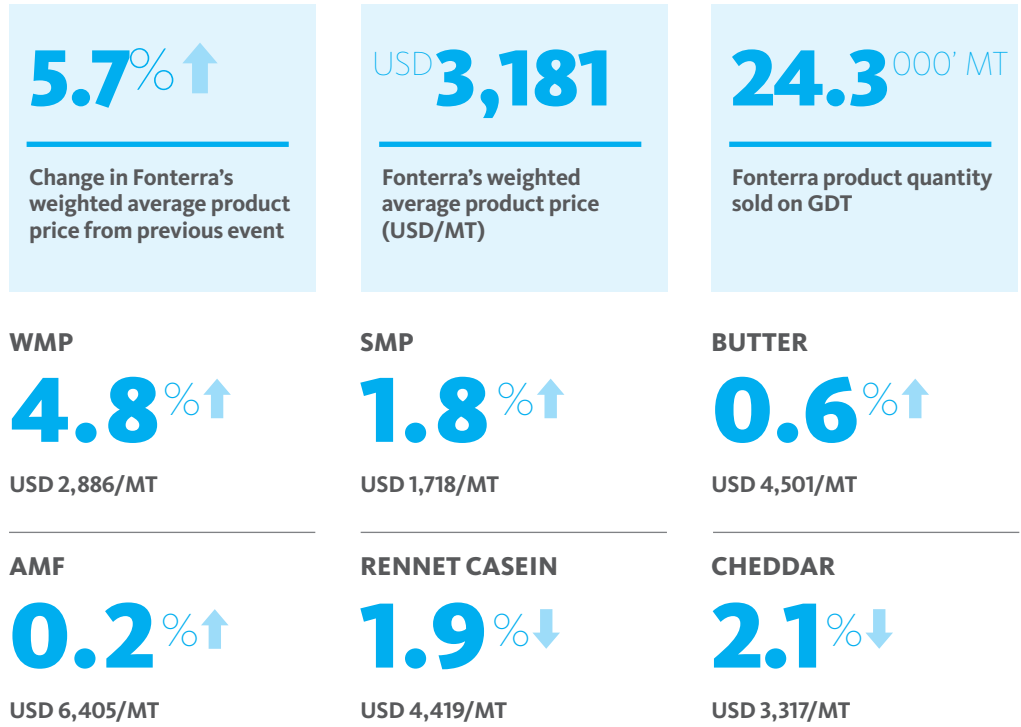
helped in some regions, it is unlikely to be enough to bring production back to previously anticipated levels. The forecast Farmgate Milk Price for the season remains at \$6.40 per kgMS. Off-GDT sales contributed 3 cents per kgMS to this forecast Farmgate Milk Price for the season to date in the first quarter.

OUR MARKETS

FONTERRA GLOBALDAIRYTRADE RESULTS

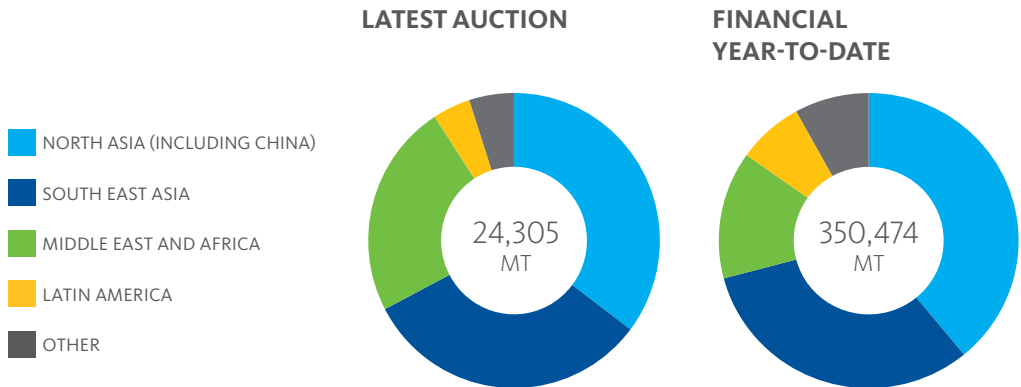


Fonterra GDT results at last trading event
2 January 2018:



Fonterra GDT sales by destination:

To view more information, including a snapshot of the rolling year-to-date results –



▶ The next trading event will be held on 16 January 2018. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The New Zealand dollar has strengthened over the past month due to the weakening US dollar.



SUPPLEMENTARY INFORMATION

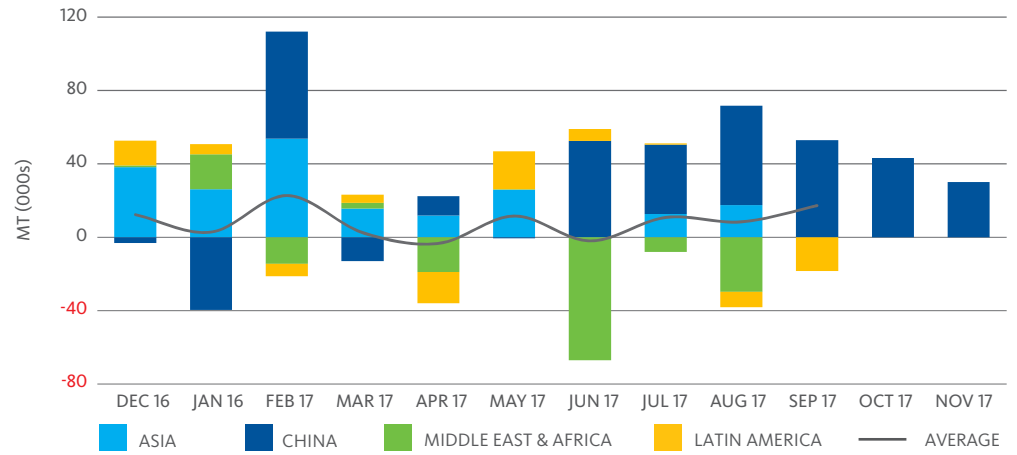
Global Dairy Market

The charts on the right illustrate the year-on-year changes in imports, exports and production for a range of countries that are important players in global dairy trade.

The absolute size of the bars represents the change in imports, exports or production, relative to the same period the previous year.

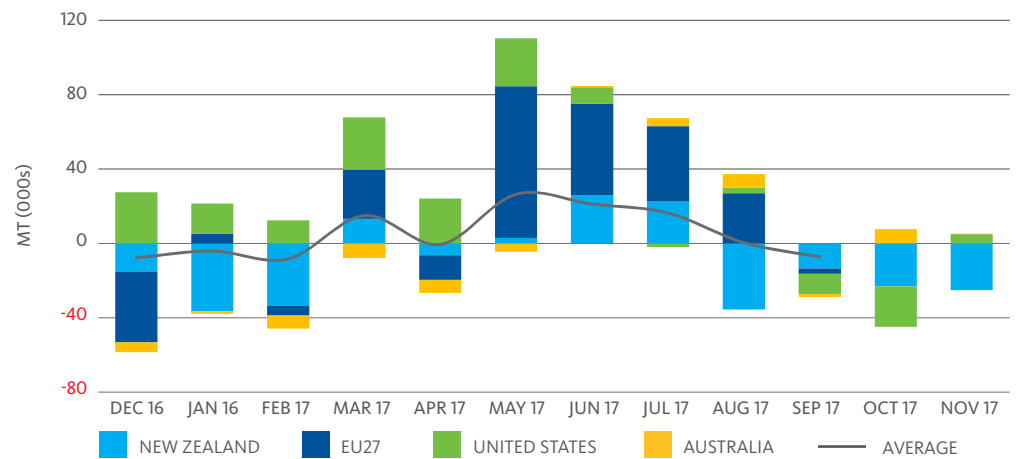
Averages are shown where data is complete for the regions presented.

IMPORTS



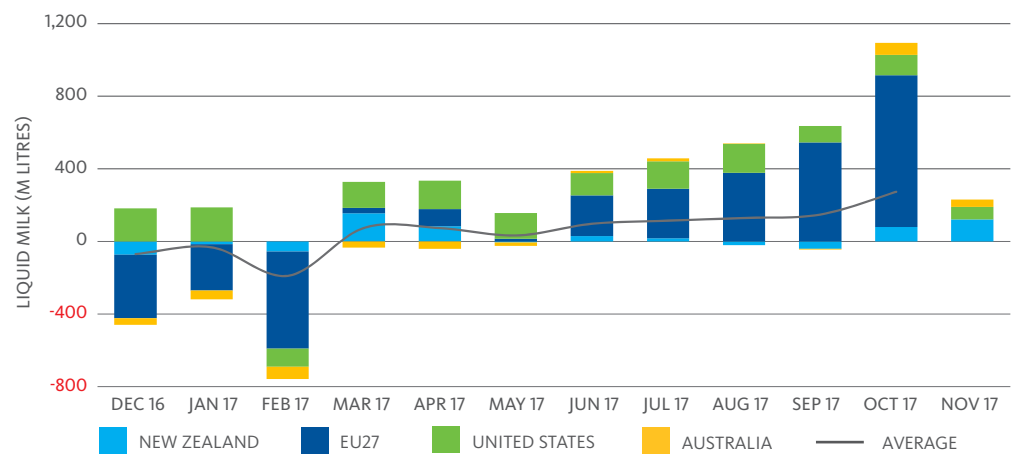
NOTE: Data for Asia, Middle East and Africa to August, Latin America to September and China to November.

EXPORTS



NOTE: Data for EU to September; New Zealand, US and Australia to November.

PRODUCTION



NOTE: Data for EU, Australia, and US to October, New Zealand to November.

SOURCE: Government milk production statistics/GTIS trade data/Fonterra analysis.

SUPPLEMENTARY INFORMATION

Fonterra milk production

The table on the right shows Fonterra milk solids collected in New Zealand and Australia compared to the previous season.

MILK COLLECTION (MILLION KGMS)	DECEMBER 2017	DECEMBER 2016	MONTHLY CHANGE	SEASON-TO-DATE 2017/18	SEASON-TO-DATE 2016/17	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	176.1	186.3	(5.5%)	877.6	881.1	(0.4%)
North Island	101.7	111.1	(8.4%)	546.4	553.1	(1.2%)
South Island	74.4	75.2	(1.2%)	331.2	327.9	1.0%
Fonterra Australia	16.1	12.6	28.0%	86.1	68.0	26.6%

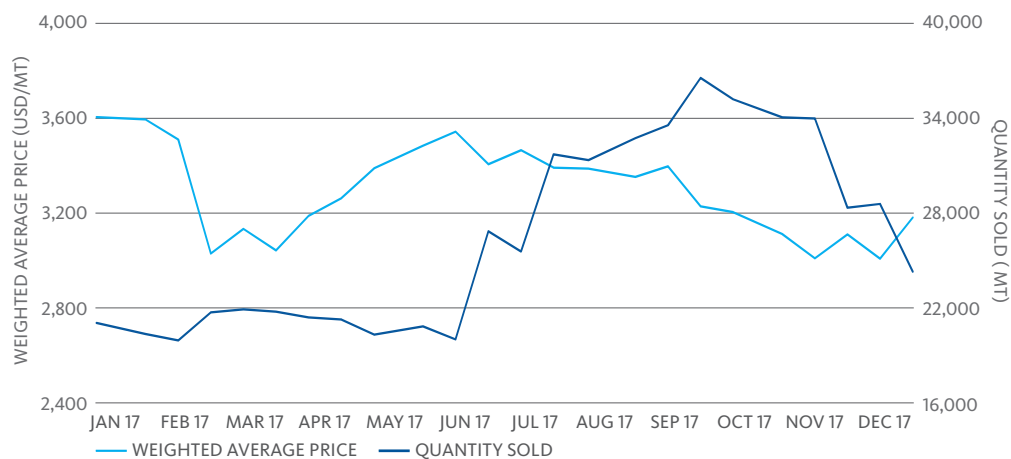
Fonterra GDT results

This table provides more information on the latest results, including a snapshot of the year-to-date results.

	LAST TRADING EVENT (2 JANUARY 2018)	YEAR-TO-DATE (FROM 1 AUGUST 2017)
Quantity Sold on GDT (Winning MT)	24,305	350,474
Change in Quantity Sold on GDT over same period last year	14.3%	10.8%
Weighted Average Product Price (USD/MT)	3,181	3,220
Change in Weighted Average Product Price over same period last year	(10.6%)	3.0%
Change in Weighted Average Product Price from previous event	5.7%	-

Fonterra GDT Results

This chart shows Fonterra GDT prices and volumes over the past 12 months.



GLOSSARY

AMF

Anhydrous Milk Fat.

BMP

Butter Milk Powder.

DIRA

Dairy Industry Restructuring Act 2001 (New Zealand).

Farmgate Milk Price

The price for milk supplied in New Zealand to Fonterra by farmer shareholders.

Fluid and Fresh Dairy

The Fonterra grouping of fluid milk products (skim milk, whole milk and cream – pasteurised or UHT processed), concentrated milk products (evaporated milk and sweetened condensed milk) and yoghurt.

GDT

GlobalDairyTrade, the online provider of the twice monthly global auctions of dairy ingredients.

kgMS

Kilogram of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.

LME (Liquid Milk Equivalent)

A standard measure of the amount of milk (in litres) allocated to each product based on the amount of fat and protein (“milk solids”) in the product relative to the amount of fat and protein in a standardised raw milk.

Non-Reference Products

All dairy products, except for Reference Products, produced by the NZ Ingredients business.

Reference Products

The dairy products used in the calculation of the Farmgate Milk Price, which are currently WMP, SMP, BMP, butter and AMF.

Season

New Zealand: A period of 12 months to 31 May in each year.

Australia: A period of 12 months to 30 June in each year.

SMP

Skim Milk Powder.

WMP

Whole Milk Powder.