

Market Announcement

6 NOVEMBER 2018

FONTERRA LAUNCHES BOND OFFER

Fonterra Co-operative Group Limited confirmed today that it is offering up to NZ\$100,000,000 (with the ability to accept up to NZ\$50,000,000 in oversubscriptions at Fonterra's discretion) of senior fixed rate bonds to institutional investors and to New Zealand retail investors.

The offer opens today and will be made pursuant to the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities. The notice required by the Financial Markets Conduct Regulations 2014 has been provided to NZX and is attached. The bonds are expected to be quoted on the NZX Debt Market.

Full details of the bond offer are contained in the Terms Sheet which has been prepared for the offer and is attached. A copy of the presentation that Fonterra will be giving to institutional investors in connection with the offer is also attached.

The offer will open with an indicative margin of 1.25 to 1.35 per cent per annum. The bonds are expected to mature on 14 November 2025. An announcement of the actual margin (which may be above or below the abovementioned indicative margin range) and the interest rate on the bonds will be made following the bookbuild process, expected to be on 8 November 2018. The Terms Sheet will be updated to include the interest rate and will be released with the announcement.

The bonds are expected to be quoted on the NZX Debt Market and are expected to be assigned a long term credit rating of A- by S&P Global and A by Fitch.

There is no public pool for the offer, with 100 per cent of the bonds reserved for institutional investors, clients of the joint lead managers and primary market participants (e.g. broking firms accredited by NZX to participate in NZX markets). The offer will close on 8 November 2018 following the bookbuild process. Interested investors should contact the joint lead managers, their broker or their financial advisor for more details.

-end-

Simon Till
Director Capital Markets, Fonterra
Phone: (09) 374 9344

ANZ	CBA
0800 269 476	0800 272 633

6 November 2018

Notice pursuant to clause 20(1)(a) of schedule 8 of the Financial Markets Conduct Regulations 2014

Fonterra Co-operative Group Limited (**FCG**) gives notice under clause 20(1)(a) of schedule 8 of the Financial Markets Conduct Regulations 2014 (**Regulations**) that it proposes to make an offer of fixed rate bonds (**Bonds**) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The main terms of the offer of the Bonds are set out in the attached terms sheet. Except for the interest rate and maturity date, the Bonds will have identical rights, privileges, limitations and conditions as FCG's:

- (a) 4.33% NZ\$350,000,000 fixed rate bonds maturing on 20 October 2021 which are currently quoted on the NZX Debt Market under the ticker code FCG030; and
- (b) 4.42% NZ\$150,000,000 fixed rate bonds maturing on 7 March 2023 which are currently quoted on the NZX Debt Market under the ticker code FCG040,

(together, **Quoted Bonds**), and therefore are of the same class as the Quoted Bonds for the purposes of the FMCA and the Regulations. The Quoted Bonds have been continuously quoted on the NZX Debt Market over the preceding 3 months.

As at the date of this notice, FCG is in compliance with:

- (a) the continuous disclosure obligations that apply to it in relation to the Quoted Bonds; and
- (b) its financial reporting obligations (as defined under the Regulations).

As at the date of this notice, there is no excluded information required to be disclosed for the purposes of the Regulations.

As at the date of this notice, there is no information that would be required to be disclosed under a continuous disclosure obligation or which would be excluded information required to be disclosed for the purposes of the Regulations if the Quoted Bonds had had the same redemption date or interest rate as the new bonds being offered.

Ends

For further information please contact:

Simon Till
Director Capital Markets, Fonterra
Phone: (09) 374 9344

Terms Sheet

Fixed Rate Bonds
Maturing 14 November 2025



Dairy for life



Important notice

The offer of debt securities (**Offer**) by Fonterra Co-operative Group Limited (**Fonterra**) is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The offer contained in this Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Fonterra's:

- (a) 4.33% NZ\$350,000,000 fixed rate bonds maturing on 20 October 2021 which are currently quoted on the NZX Debt Market under the ticker code FCG030; and
- (b) 4.42% NZ\$150,000,000 fixed rate bonds maturing on 7 March 2023 which are currently quoted on the NZX Debt Market under the ticker code FCG040,

(together, **Quoted Bonds**). The Bonds (defined below) are of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Fonterra is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/FCG.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.



Address details

Issuer

Fonterra Co-operative Group Limited

109 Fanshawe Street
Auckland 1010

Arranger

ANZ Bank New Zealand Limited

Level 25, 23-29 Albert Street
Auckland 1010

Joint Lead Managers

ANZ Bank New Zealand Limited

Level 25, 23-29 Albert Street
Auckland 1010

Commonwealth Bank of Australia

(acting through its New Zealand Branch)

ASB North Wharf
12 Jellicoe Street
Auckland, 1010

Registrar

Computershare Investor Services Limited

Postal address:

Private Bag 92119
Victoria Street West
Auckland 1142

Physical address:

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Fixed Rate Bonds

Terms Sheet

6 November 2018

This Terms Sheet sets out the key terms of the offer by Fonterra of up to NZ\$100,000,000 (with the ability to accept NZ\$50,000,000 oversubscriptions at Fonterra's discretion) of fixed rate bonds maturing on 14 November 2025 (**Bonds**) under its master trust deed dated 18 November 2002 (as amended from time to time) as modified and supplemented by the supplemental trust deed dated Monday 5 November 2018 entered into between Fonterra and The New Zealand Guardian Trust Company Limited (**Trustee**) (together, **Trust Documents**).

Issuer	Fonterra Co-operative Group Limited	
Description of the Bonds	The Bonds constitute unsecured, unsubordinated, fixed rate debt obligations of Fonterra. The Bonds will rank equally and without any preference among themselves and equally with all other unsecured and unsubordinated indebtedness of Fonterra, except indebtedness preferred by law.	
Use of proceeds	The net proceeds from the issue of the Bonds will be used for general business purposes.	
Ratings	Issuer Credit Rating	Expected Issue Rating
	S&P Global	A- (stable)
	Fitch	A (stable)
	The ratings referred to in this Terms Sheet are not a recommendation to buy, sell or hold the Bonds, and each rating may be subject to revision or withdrawal at any time by S&P Global or Fitch, as the case may be. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Neither S&P Global nor Fitch has been involved in the preparation of this Terms Sheet.	
Opening Date	Tuesday, 6 November 2018, following the release on the NZX of the notice in connection with the Offer required by the FMC Regulations.	
Closing Date	2.00pm on Thursday, 8 November 2018	
Rate Set Date	Thursday, 8 November 2018	
Issue Date and Allotment Date	Wednesday, 14 November 2018	
Maturity Date	Friday, 14 November 2025	
Issue Amount	Up to NZ\$100,000,000 (with the ability to accept up to NZ\$50,000,000 at Fonterra's discretion)	
Interest Rate	<p>The aggregate of the Base Rate plus the Margin on the Rate Set Date.</p> <p>The Interest Rate will be announced by Fonterra via NZX on or shortly after the Rate Set Date.</p> <p>The Interest Rate will not change after the Rate Set Date.</p>	
Indicative Margin	1.25 to 1.35 per cent per annum.	
Margin	The Margin will be determined by Fonterra in consultation with the Arranger following a bookbuild process. The actual Margin will be announced by Fonterra via NZX on or shortly after the Rate Set Date.	

Base Rate	The semi-annual mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger according to market convention with reference to the Bloomberg page 'ICNZ4', rounded to 2 decimal places, if necessary, with 0.005 being rounded up.
Principal Amount and Issue Price	\$1.00 per Bond.
Interest Payment Dates	14 May and 14 November of each year up to and including the Maturity Date, with the first Interest Payment Date being 14 May 2019. Interest will be payable semi-annually in equal amounts in arrear
Record Date	The date 10 calendar days before an Interest Payment Date or, if not a Business Day, the immediately preceding Business Day.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington. If an Interest Payment Date or the Maturity Date falls on a day that is not a Business Day, the due date for any payment to be made on that date will be the next following Business Day.
Settlement Price Formula	RBNZ Bond Basis.
Minimum subscription amount and minimum holding	\$5,000 and multiples of \$1,000 thereafter.
ISIN	NZFCDG005C4
New Zealand Registrar	Computershare Investor Services Limited
NZX Debt Market Ticker Code	FCG050
Expected date of initial quotation and trading on the NZX Debt Market	Thursday, 15 November 2018
Quotation	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market.
Early repayment	Upon the occurrence of any of the events of default (as set out in the Trust Documents) the Trustee may, and immediately upon being directed to do so by an extraordinary resolution of bondholders must, declare the Bonds to be immediately due and payable. If the Bonds are declared due and payable prior to their Maturity Date, interest will be payable at the Interest Rate from the most recent Interest Payment Date to and excluding the date of repayment.
Further issues	Fonterra may from time to time without the consent of the bondholders issue further notes so as to form a single class with the Bonds. Fonterra may also from time to time without the consent of bondholders issue notes having different terms to those applicable to the Bonds. There is no restriction on the amount of debt which Fonterra may issue or guarantee.
Repo-eligibility	Fonterra intends to apply to the Reserve Bank of New Zealand for the Bonds to be included as eligible securities for domestic market operations.
Governing law	New Zealand

NZX waivers	<p>NZX has approved the inclusion of transfer restrictions in the Trust Documents permitting Fonterra to refuse a transfer of the Bonds if the transfer is not in multiples of \$1,000 and/or results in the transferor or transferee holding an aggregate principal amount of less than the minimum holding of \$5,000 (other than zero).</p> <p>NZX has granted Fonterra a waiver from NZX Listing Rule 5.2.3 (as modified by NZX's ruling on Rule 5.2.3 issued on 29 September 2015) to enable Fonterra to apply for quotation on the NZX Debt Market even though the Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver has been granted for a period of six months from the quotation date of the Bonds. The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the Bonds may not be widely held and there may be reduced liquidity in the Bonds. To the extent that there is a material reduction in the spread of the Bonds, Fonterra will notify NZX accordingly.</p>
Who may apply	<p>All of the Bonds are reserved for clients of the Joint Lead Managers, Primary Market Participants (e.g. broking firms accredited by NZX to participate in NZX markets) and other persons invited to participate in the bookbuild process for the Bonds.</p> <p>There will be no public pool for the offer.</p> <p>Retail investors should contact any Primary Market Participant for details as to how they may acquire the Bonds. You can find a Primary Market Participant by visiting www.nzx.com/investing/find_a_participant.</p> <p>Applications</p> <p>Fonterra reserves the right to refuse all or any part of any application for the Bonds without giving any reason. Fonterra in consultation with the Arranger reserves the right to scale at its discretion.</p>
How to apply	<p>There is no public pool for the offer, with 100% of the Bonds reserved for clients of the Joint Lead Managers, Primary Market Participants and other persons invited to participate in the bookbuild process. Investors wishing to purchase the Bonds should contact the Joint Lead Managers, their broker or financial advisor.</p> <p>Fonterra, in its sole discretion, will determine allocations. Fonterra reserves the right to refuse to make any allotment (or part thereof) without giving any reason.</p> <p>Each investor's broker will be able to advise them as to what arrangements will need to be put in place for the investor to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.</p>
Selling restrictions	It is a term of the offer of the Bonds that the selling restrictions included in this Terms Sheet apply.
Joint Lead Managers	ANZ Bank New Zealand Limited and Commonwealth Bank of Australia (acting through its New Zealand Branch)
Arranger and Organising Participant	ANZ Bank New Zealand Limited

Fonterra, in conjunction with the Arranger, may change the dates or times set out in this Terms Sheet. Fonterra has the right in its absolute discretion and without notice to close the offer early, to extend the Closing Date, or to choose not to proceed with the offer. If the Closing Date is changed, other dates (such as the Issue Date, the Maturity Dates and the Interest Payment Dates) may be changed accordingly.

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Copies of the Trust Documents will be made available by Fonterra for inspection during usual business hours by any bondholder at Fonterra's registered office listed above (or such office as Fonterra may notify the bondholders from time to time).

Investors are personally responsible for ensuring compliance with all relevant laws and regulations applicable to them (including any required registration). Investors should seek qualified, independent financial and taxation advice before deciding to invest.

For further information regarding Fonterra, visit www.nzx.com/companies/FCG.

Selling restrictions

The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Terms Sheet. This Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Terms Sheet.

Without limiting the generality of the above, the following selling restrictions apply in respect of each relevant jurisdiction:

United States of America

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

None of Fonterra, the Joint Lead Managers, nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts in relation to the Bonds, and each of Fonterra and the Joint Lead Managers have complied and will comply with the offering restrictions in Regulation S.

The Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Bonds of the Tranche of which such Bonds are part, as determined and certified by the Arranger or the Joint Lead Managers except in accordance with Rule 903 of Regulation S. Any Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:

“The Bonds covered hereby have not been registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.”

Until 40 days after the completion of the distribution of all Bonds or the Tranche of which those Bonds are a part, an offer or sale of the Bonds within the United States by the Joint Lead Managers or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

Relevant Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) no Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in that Relevant Member State except that an offer of Bonds to the public in the Relevant Member State may be made with effect from the Relevant Implementation Date:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers nominated by Fonterra for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Bonds shall require Fonterra or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **an offer of the Bonds to the public in relation to any Bonds in any Relevant Member State** means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) has been or may be made or caused to be made or will be made in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA applies to Fonterra.

All applicable provisions of the FSMA with respect to anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with.

Japan

The Bonds have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in “*ha*” of Article 2, Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the Bonds shall not transfer or resell the Bonds except where the transferor transfers or resells all the Bonds *en bloc* to one transferee. For the purposes of this paragraph, **Japanese Person** shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

France

The Bonds have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in France, and this Terms Sheet or any other offering material relating to the Bonds has not been, and will not be, distributed to the public in France. Any such offers, sales and distributions in France will only be to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French Code *monétaire et financier*.

Singapore

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**), Fonterra has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Terms Sheet has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Terms Sheet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that

trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

Hong Kong

No Bonds have been offered or sold or will be or may be offered or sold in Hong Kong, by means of any document other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a **Prospectus** as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No advertisement, invitation or document relating to the Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under the SFO.

The People's Republic of China

The Bonds may not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan) (**PRC**). This Terms Sheet or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Terms Sheet, any information contained herein or the Bonds have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Bonds in the PRC.

The Bonds may only be invested in by PRC investors that are authorised to engage in the investment in the Bonds of the type being offered or sold. Investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the People's Bank of China, the China Securities Regulatory Commission, the China Banking and Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

The Netherlands

No Bonds have been or will be offered in the Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

The Joint Lead Managers have represented and agreed with the Issuer that they have not offered or sold and will not offer or sell any of the Bonds in The Netherlands other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the Bonds has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**) or any other regulatory authority in Australia. No person may:

- (a) make or invite (directly or indirectly) an offer of the Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) distribute or publish, any Terms Sheet, information memorandum, prospectus or any other offering material or advertisement relating to the Bonds in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- (ii) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws, regulations and directives; and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for the Bonds under this Terms Sheet, each person to whom the Bonds are issued (an **Investor**):

- (a) will be deemed by the Issuer and the Joint Lead Managers to have acknowledged that if any Investor on-sells the Bonds within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
 - (i) that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - (ii) the sale offer is received outside Australia; and
- (b) will be deemed by the Issuer and the Joint Lead Managers to have undertaken not to sell those Bonds in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Bonds.

This Terms Sheet is not, and under no circumstances is to be construed as, an advertisement or public offering of any Bonds in Australia.

Switzerland

The Bonds shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Terms Sheet nor any other solicitation for investments in the Bonds may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations (**CO**) or of Article 3 of the Swiss Federal Act on Collective Investment Schemes (**CISA**) unless the legal and regulatory conditions imposed on a public offering under the CO or CISA are satisfied. This Terms Sheet does not constitute a public offering within the meaning of Articles 652a, respectively 1156, of the CO and of Article 5 of the CISA and may not comply with the information standards required thereunder, and in particular with the guidelines on informing investors about structured products as published in September 2014 by the Swiss Bankers Association, as applicable.

The Bonds do not constitute collective investments within the meaning of the CISA. Accordingly, holders of the Bonds do not benefit from protection under the CISA or from the supervision of the Swiss Financial Market Supervisory Authority. Investors are exposed to the default risk of the Issuer.

Indemnity

By its subscription for or purchase of the Bonds, each bondholder agrees to indemnify Fonterra, the Arranger, the Joint Lead Managers and the Trustee and each of their respective directors, officers and employees for any loss, cost, liability or expense sustained or incurred by Fonterra, the Arranger, the Joint Lead Managers or the Trustee, as the case may be, as a result of the breach by that bondholder of the selling restrictions set out above.



FONTERRA BOND OFFER

Unsecured, unsubordinated, fixed rate bonds

November 2018



Dairy for life



Important information

Fonterra Co-operative Group Limited (Fonterra or Issuer) is offering up to \$100,000,000 fixed rate bonds (with the ability to accept \$50,000,000 oversubscriptions at Fonterra's discretion) due 14 November 2025 (Bonds) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

The Bonds being offered have identical rights, privileges, limitations and conditions (except for the interest rate and maturity rate) as Fonterra's:

- (a) 4.33% NZ\$350,000,000 fixed rate bonds maturing on 20 October 2021 which are currently quoted on the NZX Debt Market under the ticker code FCG030; and
- (b) 4.42% NZ\$150,000,000 fixed rate bonds maturing on 7 March 2023 which are currently quoted on the NZX Debt Market under the ticker code FCG040, (together, Quoted Bonds).

The Bonds are of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Fonterra is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purpose of that information being made available to participants in the market and that information can be found from www.nzx.com/companies/FCG.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this document.

Disclaimer

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A Terms Sheet dated 06 November 2018 has been prepared in respect of the offer of the Bonds. The Terms Sheet is an important document and should be read carefully. Investors should not purchase the Bonds until they have read the Terms Sheet. Investors should consider the risks that are associated with an investment in the Bonds, particularly with regard to their personal circumstances (including financial and tax issues).

The selling restrictions set out in the schedule to the Terms Sheet apply to the Bonds.

This presentation is dated November 2018.

Agenda

- I. Key Terms of the Offer
 - II. Fonterra Overview
 - III. Unique Features of the Co-operative
 - IV. Financial Update – 2018 Annual Results
-
- Glossary

I. Key terms of the offer

Description of Bonds	Senior unsecured fixed rate bonds. The offer is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013
Issue size	NZ\$100,000,000 with the ability to accept \$50,000,000 oversubscriptions at Fonterra's discretion
Tenor	7 Years
Interest Rate	Set following bookbuild on 08 November 2018 and announced shortly thereafter by Fonterra via NZX
Indicative Margin	1.25% - 1.35% per annum
Interest Payments	Semi-annually in arrear, in equal payments
Application Amounts	\$5,000 and multiples of \$1,000 thereafter
Opening Date	Tuesday 06 November 2018
Closing Date	2.00pm on Thursday 08 November 2018
Bookbuild	Bids to be submitted to the Arranger by 2.00pm on Thursday 08 November 2018
Issue Date	Wednesday 14 November 2018
Maturity Date	Friday 14 November 2025
Listing	Expected ticker code FCG050 on the NZX Debt Market
Issuer Credit Rating¹	A- (stable) by S&P Global & A (stable) by Fitch

1. The ratings referred to in this presentation are not a recommendation to buy, sell or hold the Bonds, and each rating may be subject to revision or withdrawal at any time by S&P Global or Fitch, as the case may be. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Neither S&P Global nor Fitch has been involved in the preparation of this presentation.

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II. Fonterra Overview

Fonterra at a glance – “Dairy for Life”

- Co-operative owned by ~10,000 farmer suppliers
- Fully integrated dairy business (“grass to glass”)
- Global scale and leadership
 - World’s largest processor of dairy products
 - 24% of globally traded dairy³
- Consumer and foodservice operations in China, Asia, Middle East, Latin America, Oceania
- Access to global milk pools
 - Collects ~82% of New Zealand’s milk⁴
- National champion in New Zealand
 - 22% of the free on board value of goods exported from NZ⁵
 - New Zealand’s largest company by revenue (FY18 NZ\$20b)

Market Cap FCG (NZ\$) ¹	7.9 billion
Market Cap FSF (NZ\$) ¹	0.5 billion
FY18 Volume (LME) ²	22.2 billion
FY18 Total Assets (NZ\$)	18.0 billion
FY18 Normalised EBITDA (NZ\$)	1.4 billion
Credit rating S&P Global Fitch	A- stable A stable



1. Market cap as at 19 Oct 2018. FCG = Fonterra Co-operative Group Limited (includes the 0.5B of units on issue) and FSF = Fonterra Shareholders Fund.

2. LME = Liquid milk equivalents.

3. (on a Liquid Milk Equivalent basis) for fiscal 2018 (Aug 17 through Jul 18).

4. Milk season 2017/2018

5. 12 months through June 2018

Key drivers of credit rating strength

S&P Global¹ A- / A-2, Stable

- “Market leadership in global exports of dairy products”
- “Competitive cost position”
- “New Zealand’s largest producer and exporter of dairy products”
- “Effective subordination”
- “Significant flexibility in setting and revising the forecast price of milk sourced in New Zealand”

- Bulletin issued 24 May 2018 confirming rating
- Bulletin issued 10 August 2018 confirming rating

Fitch Ratings² A / F1, Stable

- “The world leader in dairy exports”
- Defensive traits
- New Zealand’s largest dairy producer”
- “Effective subordination”
- “Ability to pass global dairy-price and foreign exchange movements in its global ingredients and operations business to farmers”
- Among most cost competitive

- Rating Affirmation issued 19 October 2018 ‘A’ rating with stable outlook
- Rating report issued 24 October 2018

1. January 2018 update - only certain statements supporting the credit rating have been extracted and may not represent all statements contained in the relevant rating report.
 2. October 2018 update - only certain statements supporting the credit rating have been extracted and may not represent all statements contained in the relevant rating report.

Fonterra – key investment attributes

Strong industry fundamentals

Co-operative with secure global access to quality milk

Scale and world-class ingredients business

Focussed high-value consumer and foodservice businesses

Financial strength and discipline

A commitment to ESG

Unique Co-operative structure supports strong credit profile, including effective subordination

Highly experienced board and management team



III. Unique Features of the Co-operative

Transparent New Zealand Milk Price

Key Factors

- GDT auctions
 - Transparent bi-monthly pricing
- Off-GDT pricing
- Governance model
 - Commerce Commission review
 - External auditor
- Efficient marginal competitor
 - Basis for cost assumptions
- WACC return on assets
 - Allowed return in model

Model Milk Price

100% Reference Products

Model Net Revenue

Model Cash Costs

Model Capital Costs

Farmgate Milk Price

Fonterra

Reference Products

Revenue

Operating and Overhead Costs

Farmgate Milk Price¹

Non-reference Products

Revenue

Operating and Overhead Costs

Farmgate Milk Price¹

Global Ingredients EBIT

Reference Products: Basket of commodities used in model – WMP/SMP/AMF/BMP/Butter²

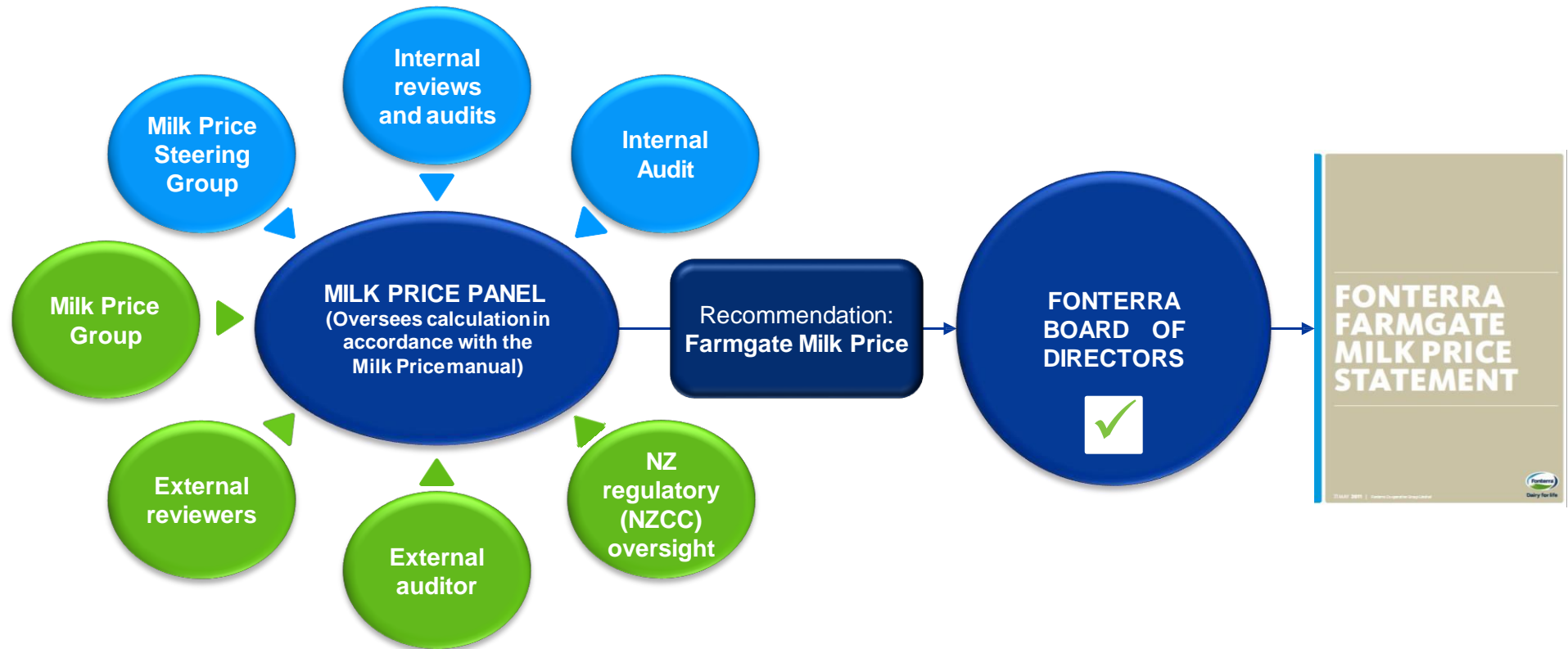
Non-Reference Products: Other products produced by Fonterra e.g. proteins/higher-spec products/cheese

1. This also includes “approved adjustments” in respect of, for example, a portion of winter milk premiums paid

2. WMP: Whole Milk Powder, SMP: Skim Milk Powder, AMF: Anhydrous Milk Fat, BMP: Butter Milk Powder.

Setting the Milk Price

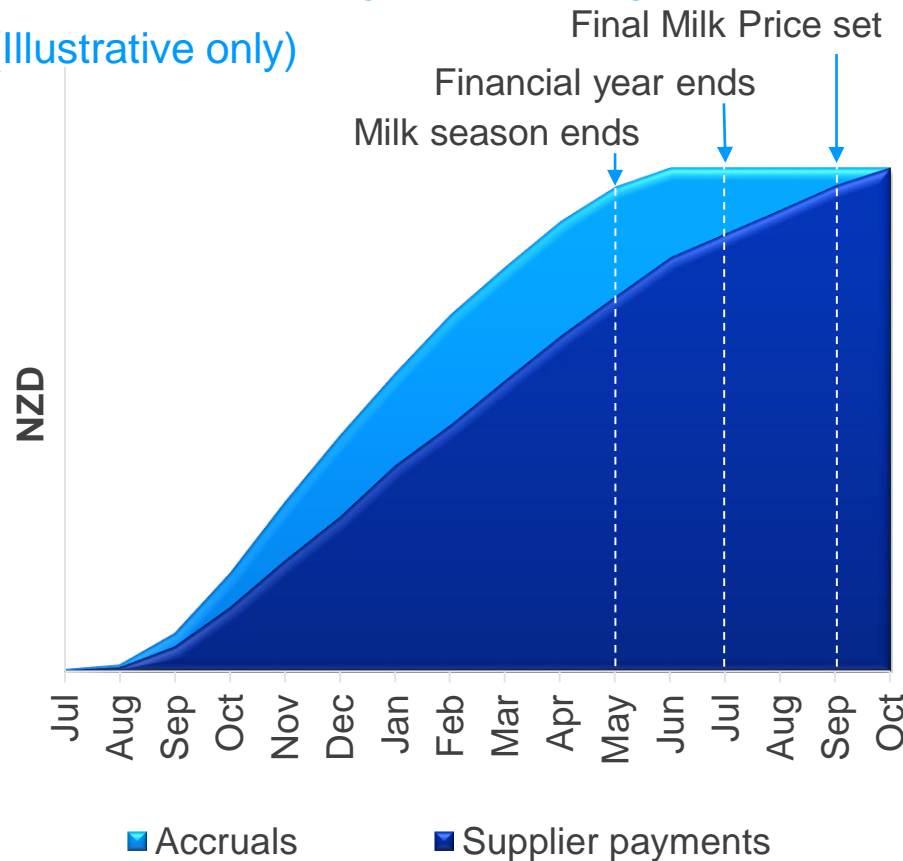
- The Milk Price that Fonterra pays its suppliers is set by the Fonterra board based on transparent, highly formulaic calculations in the Milk Price Manual (publicly available document)
- A detailed Milk Price Statement aims to help interested parties understand the Milk Price
- This statement is published annually and released with Fonterra's Annual Report



Financial flexibility from effective subordination of New Zealand milk supply payments

Final Milk Price not determined until after the end of the milk season

Supplier accruals significant through the season
(Illustrative only)



Advance rate flexibility

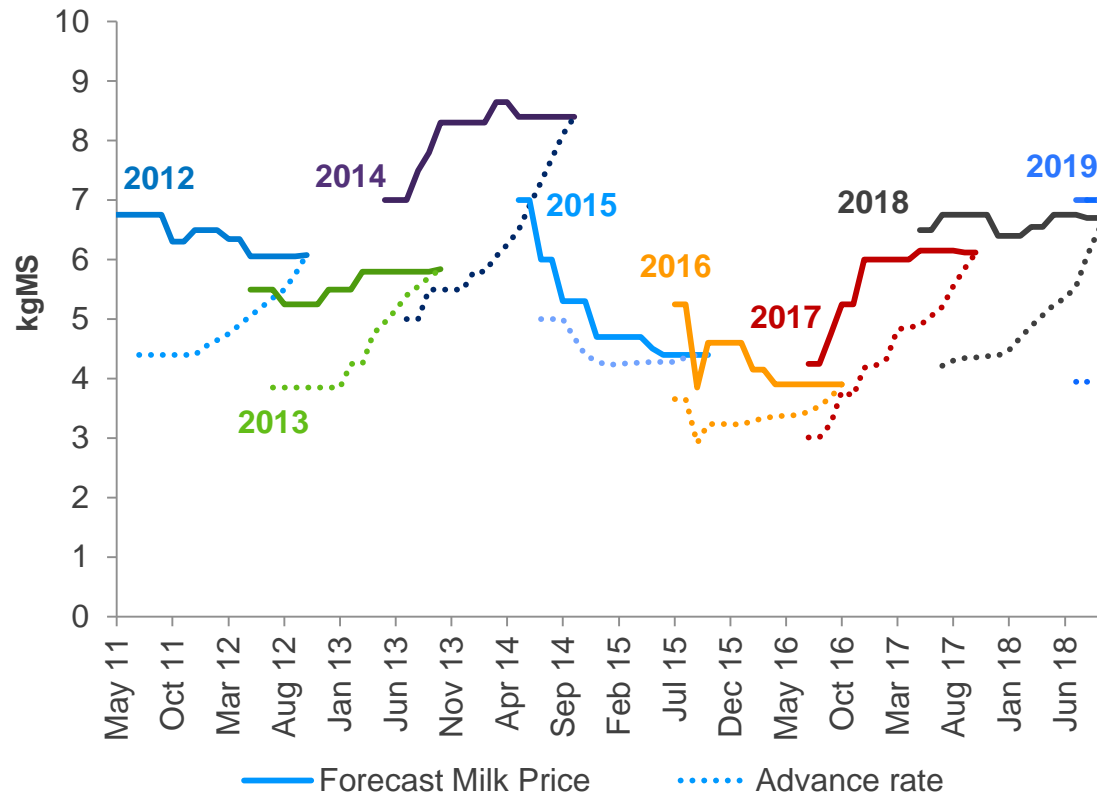
As at 31 July	2016	2017	2018
Milk Price	\$3.90	\$6.12	\$6.69
Total advance payments made during the year	\$3.48	\$5.21	\$5.55
Paid by July ¹	89%	85%	83%
Owing to suppliers ²	\$0.7bn	\$1.3bn	\$1.6bn

1. Amount advanced during the year as a percentage of the milk price for the season ended 31 May

2. This amount is after offsetting \$177 million Fonterra Co-operative Support Loan repayments relating to the 2017/18 season


Track record of using financial flexibility

Flexibility in amount and timing of payments to farmer suppliers in New Zealand (Illustrative Only)



- Track record of frequent and sizable changes in both Forecast Milk Price and Advance Rate
- Demonstrated track record and willingness to pay a Final Farmgate Milk Price¹ that is lower than the Farmgate Milk Price calculated under the Milk Price Manual
 - Season 14: Reduced farmgate milk price from \$8.93 per kgMS to \$8.40 per KgMS
 - Season 18: Reduced Farmgate Milk Price from \$6.74 per kgMS to \$6.69 per kgMS

1. The aggregate amount approved by Fonterra's Board as payment for milk supplied in the season

The background of the slide is a solid blue color with several large, overlapping, wavy shapes in different shades of blue, creating a dynamic, layered effect. These shapes flow from the top left towards the bottom right.

IV. Financial Update – 2018 Annual Results and progress update

We didn't meet our earnings guidance

Why did this happen?

- Optimistic forecast
 - Required Q2 performance to repeat in Q3 and Q4
- Late season increase in the Farmgate Milk Price impacted Ingredients' margins
- Fat prices didn't reduce in second half as much as we forecast so lower margins in Consumer and Foodservice

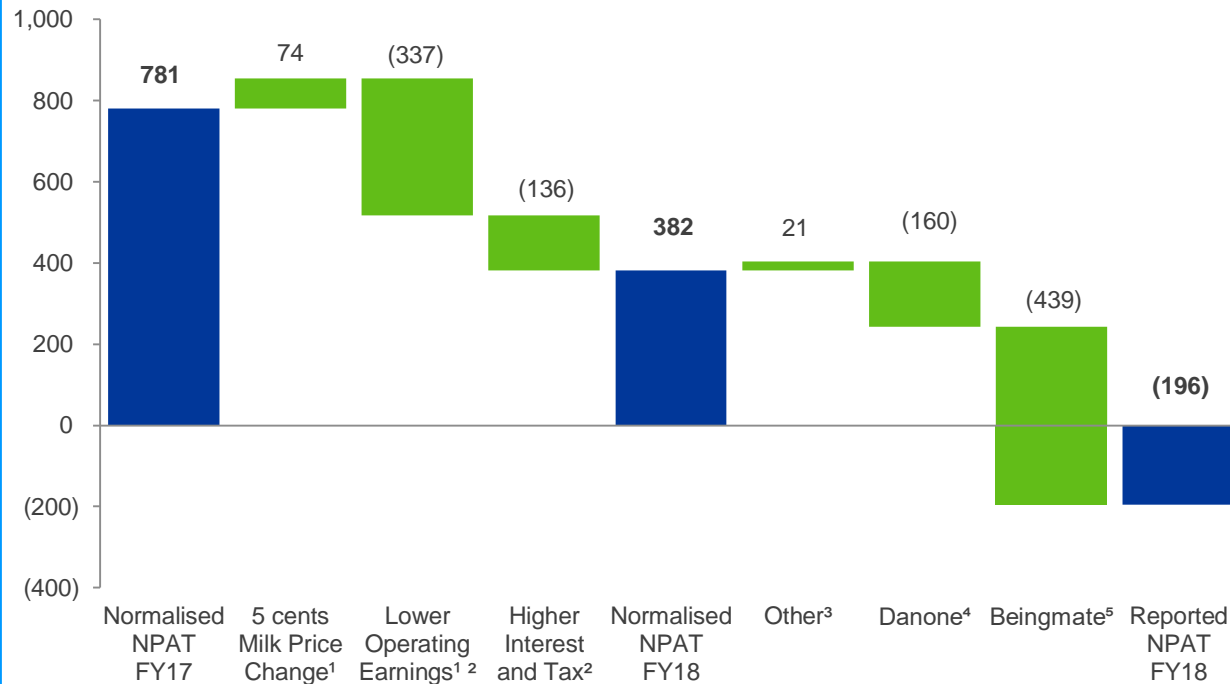
What are we going to do differently?

- Take stock of our businesses
 - Evaluate against today's criteria
 - Actions under way
- Get the basics right
 - Fix and lift performance
 - Maintain financial discipline and reduce debt
 - Prioritise return on capital
- Set realistic forecasts
 - Transparency of assumptions
 - Better recognition of industry volatility

Reported a net loss

Due to lower operating earnings, higher funding costs and one-offs

FY17 – FY18 NPAT reconciliation (\$m)



- Reported net loss of \$196 million, this includes a 5 cent reduction in the Farmgate Milk Price
- EBIT^{1,2}, before Milk Price adjustment, down \$337 million on last year
- Funding costs and tax are up \$136 million on last year
- One-offs of Beingmate impairment and Danone arbitration decision reduce net earnings by \$599 million
- Normalisations are done to better reflect ongoing business performance

1. Movements in the items are on an EBIT basis.

2. Movements in the items have been adjusted for the impact of minority interests of \$10m on operating earnings and \$4m on interest and tax to put on a comparable basis with NPAT.

3. Other includes \$25m minority interests share of FY18 NPAT and (\$4m) time value of options.

4. Danone arbitration decision includes \$26m finance costs and \$62m tax credit.

5. Beingmate investment includes \$405m impairment and \$34m share of operating losses.

Disappointing earnings performance

Margin pressure, higher costs and one-offs

VOLUME	REVENUE	GROSS MARGIN ¹	OPEX ¹
22.2B LME	\$20.4B	\$3,152M	\$2,496M
↓ 3%	↑ 6%	↓ 3%	↑ 7%
NORMALISED EBIT ²	NORMALISED NPAT ²	NET PROFIT AFTER TAX	ANNUAL DIVIDEND
\$902M	\$382M	\$(196)M	10CPS
↓ 22%	↓ 51%, EPS ¹ 24c	↓ 126%, EPS (14)c	↓ 75% YIELD 1.7% ³

Ingredients

Volume (LME) ⁴	↓ 20.5B
Gross Margin (%) ¹	↓ 9.0%
Normalised EBIT	↓ \$879M
Return on Capital ⁶	↓ 8.3%

Consumer and Foodservice

Volume (LME) ⁴	↑ 5.6B
Gross Margin (%) ¹	↓ 23.6%
Normalised EBIT	↓ \$525M
Return on Capital ⁶	↓ 8.3%

China Farms

Volume (LME) ⁵	↓ 0.3B
Gross Margin (%) ¹	↓ 2.1%
Normalised EBIT	↓ \$(9)M

1. Reflect normalisation adjustments.

2. Attributable to equity holders.

3. FY18 divided over volume weighted average FCG price of \$5.84 across the year.

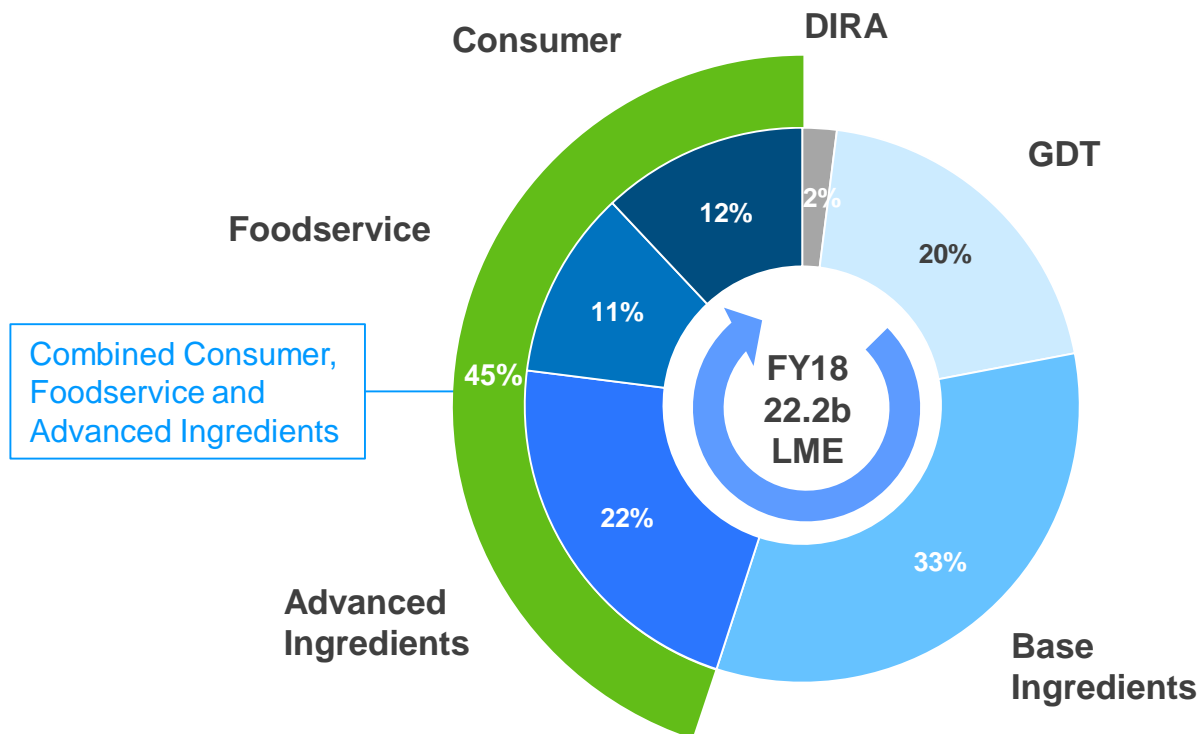
4. Includes inter-company sales.

5. Prior year volumes include 26m LME of milk powders not included this year.

6. Return on Capital (ROC) includes goodwill, brands and equity accounted investments. Excluding goodwill, brands and equity accounted investments ROC was 8.2% in Ingredients and 35.1% in Consumer and Foodservice.

More volume to higher value

465 million more LMEs shifted to higher value



• Overall volumes

- Total volumes declined 3% due to lower collections
- Larger proportion went into higher value, up from 42% to 45%

• Ingredients

- 334m¹ LMEs shifted to higher- margin Advanced Ingredients

• Consumer & Foodservice

- Added 131m¹ more LMEs
- Sold less butter which has a high LME factor

Note: Wheel shows category percentage of total FY18 external sales (LME)

1. Additional LME volumes include inter-company sales.

Stronger Milk Price impacted margins

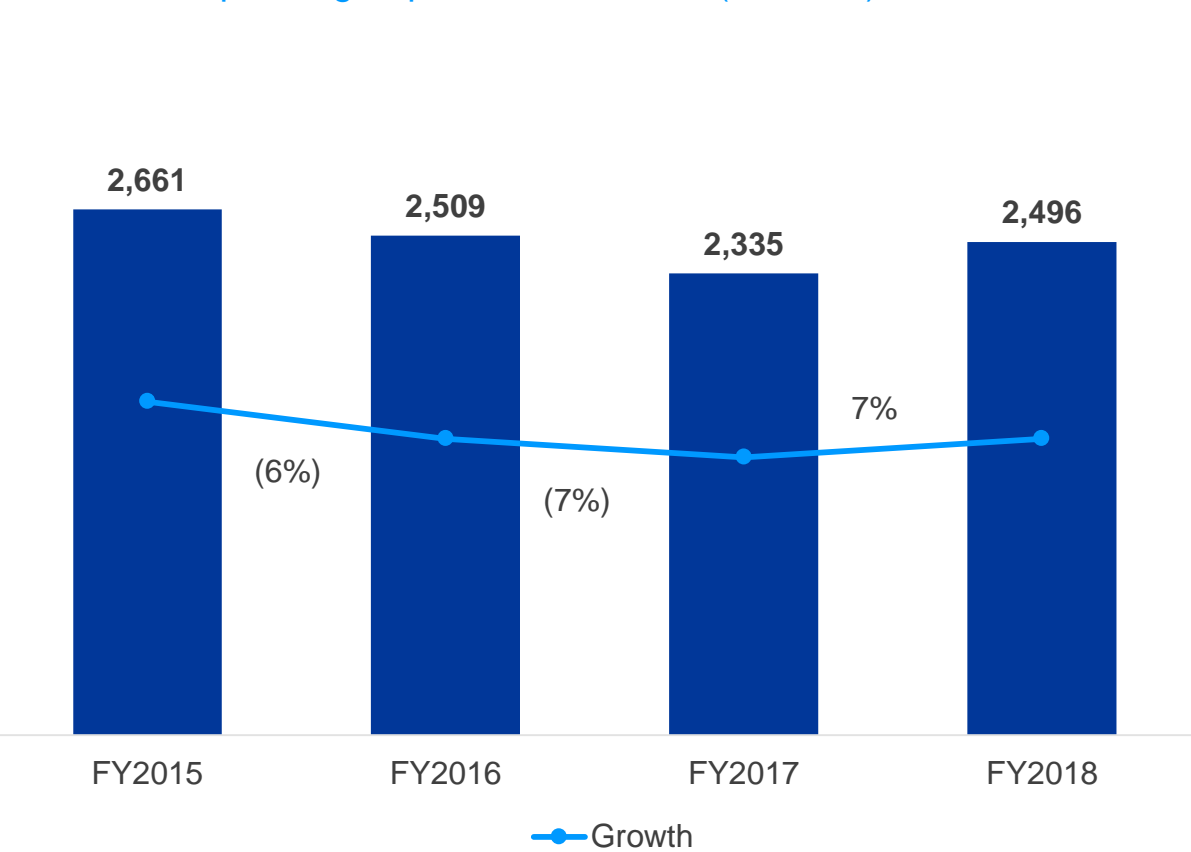
Fat prices reduce profits in Consumer and Foodservice

- **Stronger Farmgate Milk Price**
 - 10% up on last year driven by improved WMP and significant increase in butter and AMF prices
 - Non-GDT sales contributed
 - Late season increase
- **New Zealand Milk Price aligned to global prices**
 - Historical discount removed
 - Increases competitive pressure
- **Higher fat prices impacted margins**
 - Butter and cream prices up on last year
 - Butter transfer prices up 80% in first half and 41% for full year
- **Stream-returns flat in second half**
 - Positive Stream Returns in the first half

Increased opex after sustained reductions

Due to Ingredients and future growth spend

Normalised¹ Operating Expense Breakdown (\$ million)



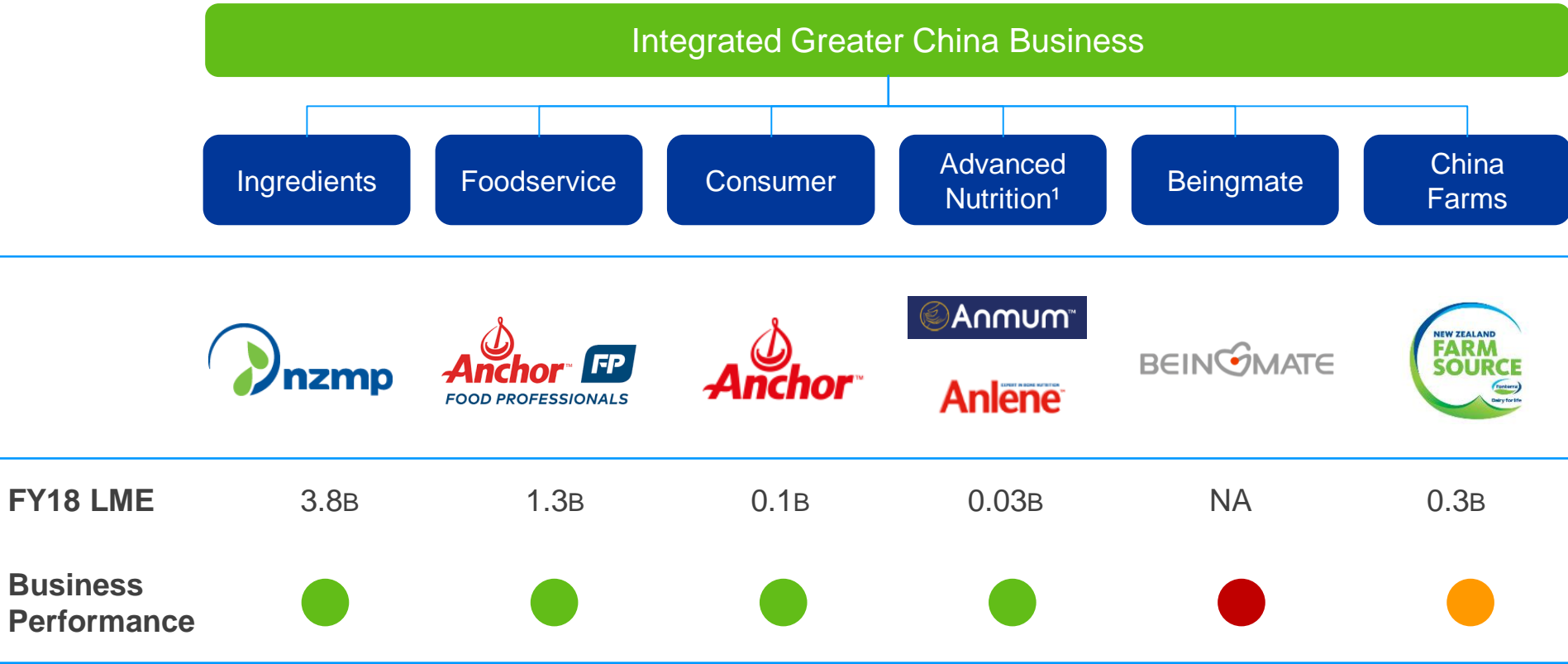
After reducing costs over two years, normalised opex went up by 7%, or \$161 million, driven by:

- Ingredients: \$83 million
 - Increased across the business
 - Expansion in Australia and new category growth
 - One-off items (e.g. Edendale silo)
- IT: \$28 million
 - Modernising our IT infrastructure
- R&D: \$18 million
 - Investments in future innovations

1. Reflect normalisation adjustments.

Greater China is our largest market

Total revenue of \$4 billion



1. Includes Annum sales through Beingmate.

Value creation not satisfactory

Requires improved performance and better use of capital

RETURN ON CAPITAL ^{1,2}	GROSS MARGIN ²	OPEX ²	NORMALISED EBIT ²	Return
	15.4%	\$2,496M	\$902M	
↓ Down from 16.9%	↓	↑ 7%	↓ 22%	
6.3%	CAPEX	WORKING CAPITAL	NET DEBT ³	Capital
	\$861M	83 DAYS	\$6.2B	
↓ Down from 8.3%	↑ 1%	↑ 8 days	↑ Up 11%	

1. Return on Capital (ROC) includes goodwill, brands and equity accounted investments. Excluding goodwill, brands and equity accounted investments ROC was 8.0% in FY18 and 11.1% in FY17.
2. Reflect normalisation adjustments.
3. Economic net interest-bearing debt.

Committed to reducing debt

A strong balance sheet provides options

GEARING¹ 48.4% ↑ Up 4.1%	NET DEBT² \$6.2B ↑ Up 11%	DEBT/EARNINGS³ 4.5x ↑ Up from 3.5x
	TOTAL EQUITY \$6.3B ↓ 12%	CREDIT RATING <div> A <small>STABLE</small> A- <small>STABLE</small> </div> <div> Fitch S&P Global </div>

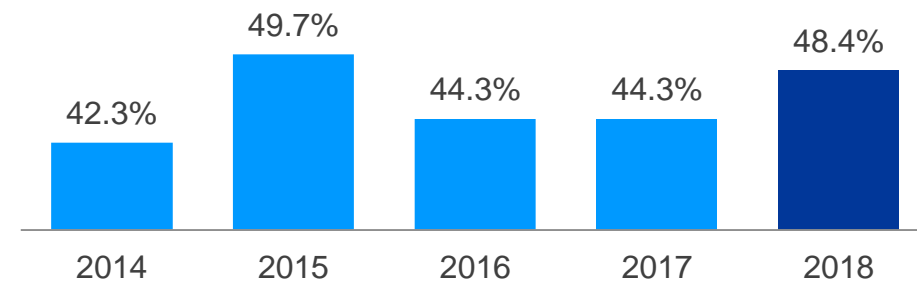
1. Gearing Ratio is economic net interest-bearing debt divided by economic net interest-bearing debt plus total equity excluding hedge reserves.

2. Economic net interest-bearing debt.

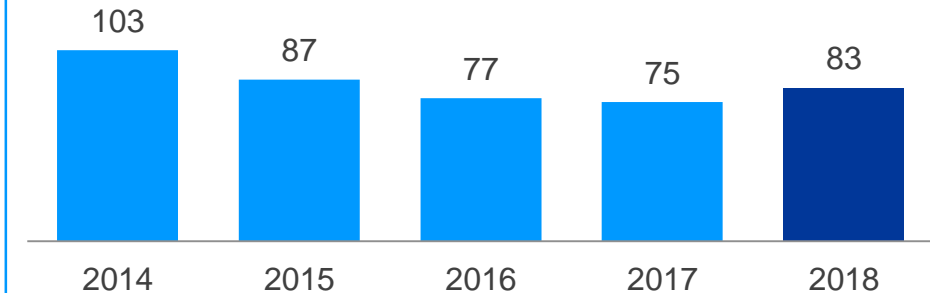
3. Debt payback ratio is economic net interest-bearing debt divided by EBITDA. Both debt and EBITDA are adjusted for the impact of operating leases.

Committed to returning key balance sheet metrics to target ranges

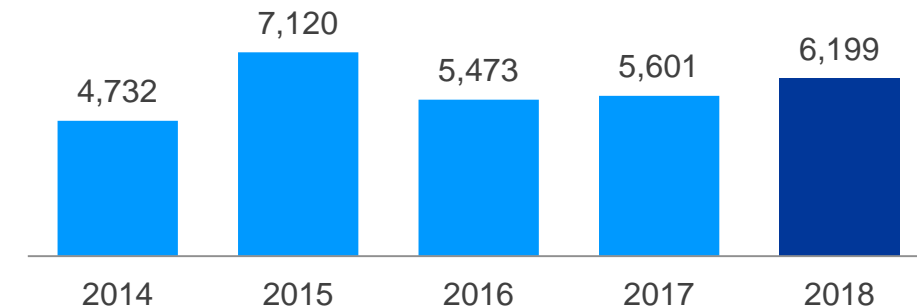
Gearing¹



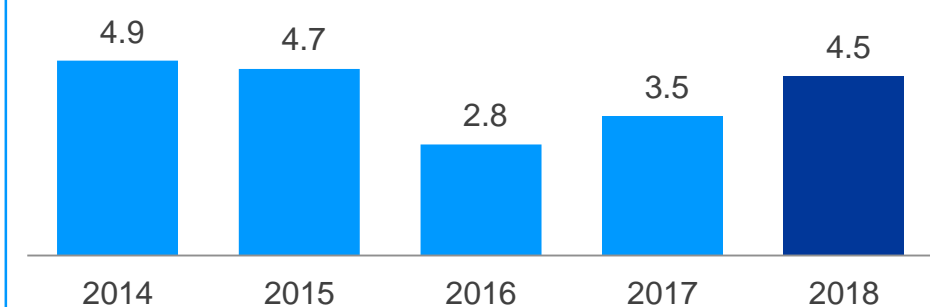
Working Capital Days²



Net Debt³



Debt/EBITDA Ratio⁴

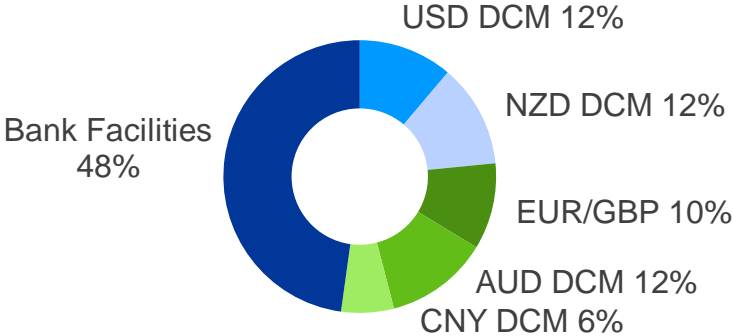


1. Gearing ratio is economic net interest-bearing debt divided by economic net interest-bearing debt plus equity excluding hedge reserves. Target range 40%-45%
2. Working capital days excludes amounts owing to farmer suppliers.
3. Economic net interest-bearing debt (\$ million).
4. Ratio is economic net interest-bearing debt divided by EBITDA. Both debt and EBITDA are adjusted for the impact of operating leases. Target range 3x-4x

Diversified and prudent funding position

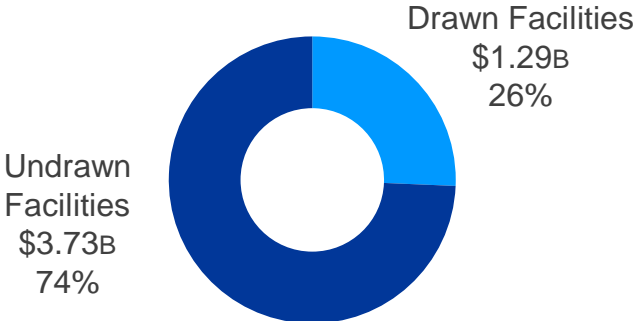
Diversified profile¹

At 31 July 2018 (\$B)



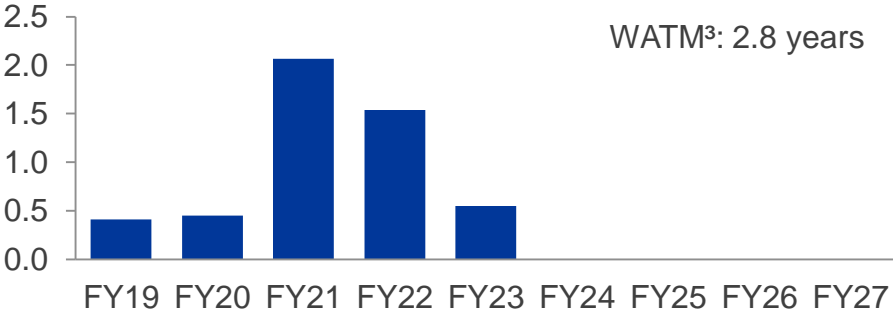
Prudent liquidity

At 31 July 2018 (\$B)



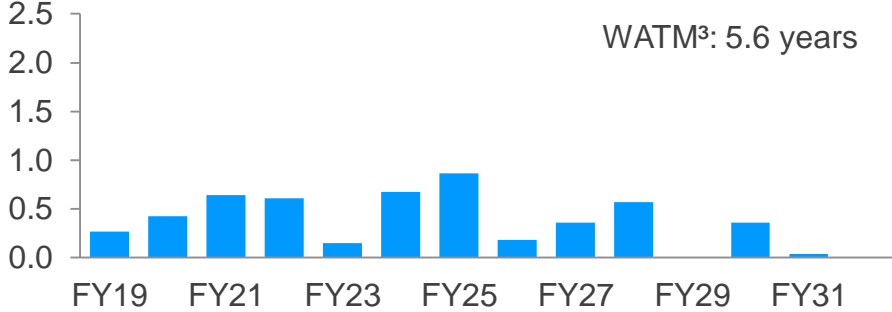
Bank facility maturity profile

At 31 July 2018 (\$B)



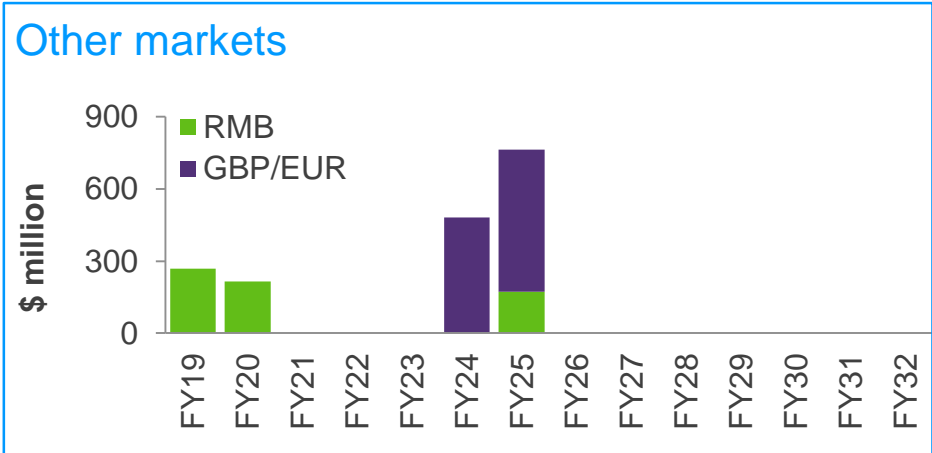
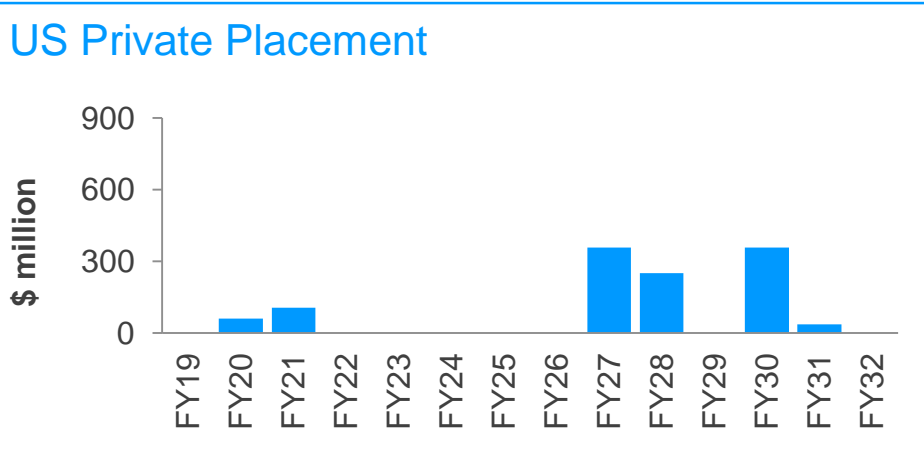
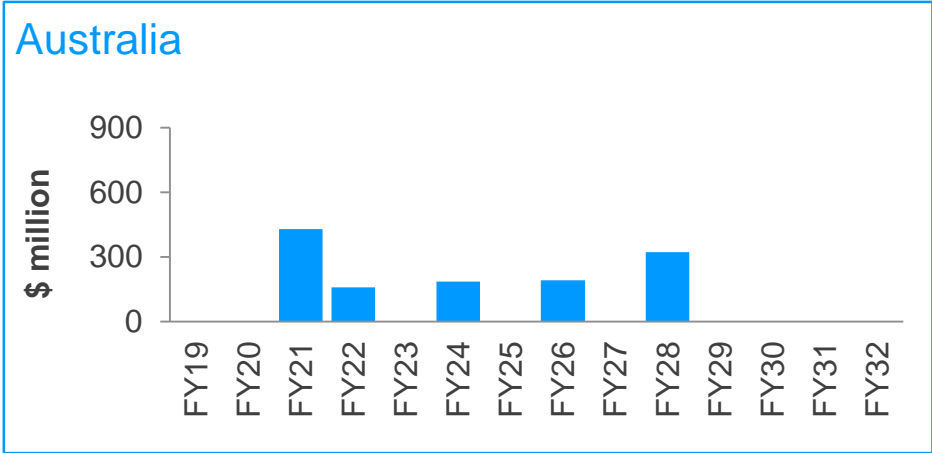
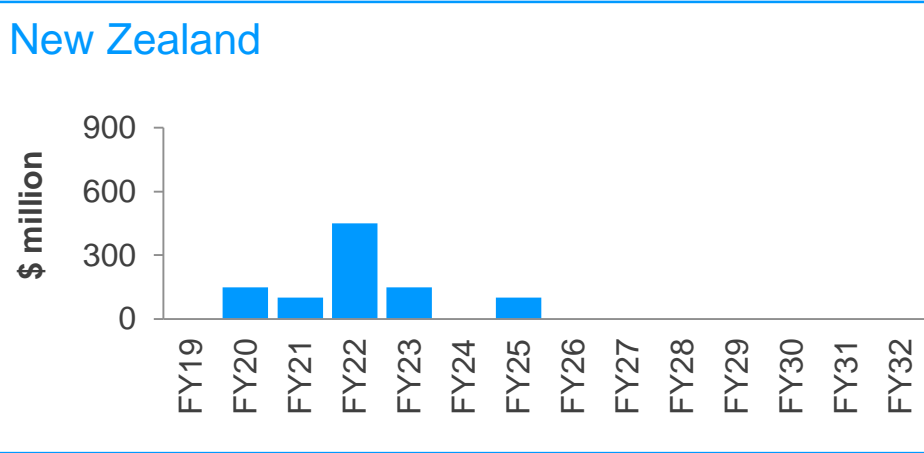
DCM maturity profile²

At 31 July 2018 (\$B)



1. Includes undrawn facilities and commercial paper.
 2. Excluding commercial paper.
 3. WATM is weighted average term to maturity.

Building curves and liquidity



FY19 earnings guidance

FORECAST 2019 FARMGATE
MILK PRICE

\$6.25-6.50 PER KGMS

FORECAST 2018/19 MILK
COLLECTIONS

1,550 MILLION KGMS

FORECAST EPS¹

25-35 CENTS

INGREDIENTS

FORECAST GROSS MARGIN

8% - 10%

CONSUMER AND FOODSERVICE

FORECAST GROSS MARGIN

23% - 26%

FORECAST EBIT

\$850 - \$950_M

FORECAST EBIT

\$540 - \$590_M

1. Earnings per share.

Outlook for 2019

- Total available for pay-out for FY19 of \$6.50-\$6.85 per kgMS, before retentions
 - A forecast Farmgate Milk Price of \$6.25-\$6.50 per kgMS
 - A forecast earnings performance of 25-35 cents per share
- Strong financial discipline
 - Gearing Ratio within 40-45% range
 - Capex reduced to \$650m
- What are we going to do differently in 2019?
 - Take stock of our businesses
 - Get the basics right
 - Set realistic forecasts

Progress on plan to lift performance

Updated 31 October 2018

- **Take stock of our businesses**
 - Progressing portfolio review
 - Dropped our volume-based ambition to align fully to the essence of the strategy of moving more volume into higher value products
 - Clarified focus on maximising New Zealand milk, complementing it when required to meet our customers' needs.
 - Focused on delivering a respectable Return on Capital
- **Get the basics right**
 - Reducing debt by \$800 million by financial year-end
 - Set CAPEX at \$650 million for FY19
 - Bringing OPEX back to FY17 levels over the next couple of years
- **Set realistic forecasts**
 - Provided price range in recent forecast Farmgate Milk Price revision
 - Reducing subjective elements in forecasting process, including the use of new technology

Glossary

Acronyms and Definitions

AMF

Anhydrous Milk Fat

BMP

Butter Milk Powder

Base Price

Prices used by Fonterra's sales team as referenced against GDT prices and other relevant benchmarks

DIRA

Dairy Industry Restructuring Act 2001 (New Zealand)

GDT

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

Gearing Ratio

Economic net interest bearing debt divided by economic net interest bearing debt plus equity excluding cash-flow hedge reserves

Farmgate Milk Price

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

Fresh Dairy

The Fonterra grouping of skim milk, whole milk and cream – pasteurised or UHT processed, concentrated milk products and yoghurt

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 in the product relative to the amount of fat and protein in standardised raw milk

kgMS

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

Non-Reference Products

All dairy products, except for Reference, 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

Regulated Return

The earnings component of Milk Price generated from a WACC return on an assumed asset base

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

Stream Returns

The gross margin differential between Non-Reference Product streams and the WMP stream (based on Base Prices)

WACC

Weighted Average Cost of Capital

WMP

Whole Milk Powder

Glossary

Fonterra Strategic Platforms

Ingredients

The Ingredients platform comprises bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors in over 140 countries. It also includes Fonterra Farm Source™ retail stores.

Consumer

The Consumer platform comprises branded consumer products, such as powders, yoghurts, milk, butter, and cheese. Base products are sourced from the ingredients business and manufactured into higher-value consumer dairy products.

Foodservice

The Foodservice platform comprises a range of branded products and solutions for commercial kitchens, including bakery butter, culinary creams, and cheeses.

China Farms

The China Farms platform comprises the farming operations in China, which produce high quality fresh milk for the Chinese market.