GLOBAL DAIRY UPDATE

OUR MARKETS

- Significant monthly production declines in New Zealand and Australia. Monthly production eased in the US and holding at current levels in EU.

- Exports from New Zealand and the EU continue to grow. Australia and US exports decline.

- Imports into Asia and China show strong growth. Latin America and Middle East & Africa down.

- Fonterra's New Zealand milk collection in April was 109 million kgMS, 9% down on last year.

OUR PERFORMANCE

- Fonterra and The Coca-Cola Company (Coca-Cola) have entered into a strategic alliance that aims to capture opportunities in the growing dairy beverage category in southeast Asia.
- FY19 nine-month business update.

For further details view our website – CLICK HERE

OUR CO-OP

- Fonterra changes tanker schedule for #1 fan – in the Te Rapa district of Hamilton, our tanker drivers know that every evening their biggest fan will be waiting for them on a dairy farm on Reid Road.

KEY DATES

1 June 2019
Measurement Date for Share Standard 2019/20 Season

September 2019
FY19 Annual Results Announcement.

SIGNIFICANT MONTHLY PRODUCTION DECLINES IN NEW ZEALAND AND AUSTRALIA. MONTHLY PRODUCTION EASED IN THE US AND HOLDING AT CURRENT LEVELS IN EU

To view a chart that illustrates year-on-year changes in production –

CLICK HERE ▶

NEW ZEALAND

10% ↓
Change for April 2019 compared to April 2018

2% ↑
Change for the 12 months to April 2019

New Zealand milk production[1] was down 10% in April compared to the same period last year.

Dry conditions continued across most of the North Island and parts of the South Island. Soil moisture was below normal for most of the North Island and a large part of the South Island.

New Zealand milk production for the 12 months to April was 2% higher than last year.

Fonterra collections are reported for April, see page 5 for details.

AUSTRALIA

10% ↓
Change for March 2019 compared to March 2018

5% ↓
Change for the 12 months to March 2019

Australia milk production decreased 10% in March compared to the same period last year. This is the lowest March production in the last 20 years.

Continued drought conditions and high input costs continue to put pressure on Australian milk production because of reduced supplemental feeding, increased cow cull rates and farm exits.

Production for the 12 months to March was down 5% on the previous 12 months.

Fonterra collections in Australia are reported for April, see page 5 for details.

EUROPEAN UNION

1% ↑
Change for March 2019 compared to March 2018

0% ↑
Change for the 12 months to March 2019

EU milk production increased 1% in March compared to the same period last year.

Strong growth continued in the UK but it exports very little product outside of the EU. Ireland growth continued with March up 11% compared to the same period last year.

Key exporting countries where production declined were Austria, France and The Netherlands, at 4%, 1% and 2%, respectively.

Production for the 12 months to March was up marginally compared to the same period last year.

USA

0% ↑
Change for April 2019 compared to APril 2018

1% ↑
Change for the 12 months to April 2019

US milk production increased 0.2% in April, compared to the same period last year.

Milk per cow continues to increase but the continued drop in cow numbers continues to limit growth.

Low profitability is leading to an increase in culling which is expected to continue to impact growth over the next few months.

Milk production for the 12 months to April was just under 1% higher compared to the same period last year.

1 New Zealand production for April 2019 is an estimate based on Fonterra's actual milk collections for April 2019 and estimates for other New Zealand processors.

EXPORTS FROM NEW ZEALAND AND THE EU CONTINUE TO GROW. AUSTRALIA AND US MONTHLY EXPORTS DECLINE

To view a chart that illustrates year-on-year changes in exports –

CLICK HERE ▸

NEW ZEALAND

27% ↑
Change for March 2019 compared to March 2018

5% ↑
Change for the 12 months to March 2019

Total New Zealand dairy exports increased by 27%, or 75,000 MT, in March compared to the same period last year. This was primarily driven by WMP, fluid milk products, and cheese, up 63,000 MT. Other than a slight decline in butter and casein, all other products were up for the month.

Exports for the 12 months to March were up 5%, or 176,000 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products, and AMF, up a combined 187,000 MT and largely offset by SMP.

AUSTRALIA

3% ↓
Change for March 2019 compared to March 2018

5% ↑
Change for the 12 months to March 2019

Australia dairy exports decreased by 3%, or 2,000 MT, in March compared to the same period last year. This decline was due to WMP, SMP, and cheese, down a combined 8,200 MT. This was offset by an increase in infant formula and fluid milk products, up 6,000 MT.

Exports for the 12 months to March were up 5%, or 36,600 MT, on the previous comparable period.

Infant formula, fluid milk products, and whey powder make up most of the current growth in Australian exports.

EUROPEAN UNION

5% ↑
Change for February 2019 compared to February 2018

1% ↑
Change for the 12 months to February 2019

EU dairy exports increased by 5%, or 22,800 MT, in February compared to the same period last year. This was primarily driven by SMP, and fluid milk products up a combined 30,600 MT. This was offset by declines in whey powder and WMP.

Exports for the 12 months to February were up 1%, or 60,100 MT, on the previous comparable period. SMP, lactose and infant formula were up a combined 150,400 MT. This was largely offset by a decline in WMP, fluid milk products and butter.

USA

10% ↓
Change for March 2019 compared to March 2018

3% ↑
Change for the 12 months to March 2019

US dairy exports declined 10%, or 22,800 MT, in March compared to the same period last year. This was primarily driven by base commodities of SMP, whey powder, lactose, WMP and WPC, down a combined 25,200 MT. This was partially offset by increases in cheese of 3,700 MT.

Exports for the 12 months to March 2019 were up 3%, or 68,300 MT, on the previous comparable period.

Most products remain ahead of the previous comparable period but whey powder and WPC are down. The US/China trade dispute and African Swine flu impacting the China hog industry has led to a downturn in whey imports by China.

IMPORTS INTO ASIA AND CHINA SHOW STRONG GROWTH. LATIN AMERICA AND MIDDLE EAST & AFRICA DOWN

To view a chart that illustrates year-on-year changes in imports –

CLICK HERE

LATIN AMERICA

1% ↓
Change for February 2019 compared to February 2018

5% ↑
Change for the 12 months to February 2019

Latin America dairy import volumes[1] decreased 1%, or 1,600 MT, in February compared to the same period last year. Declines in SMP, infant formula and whey powder of a combined 9,500 MT, were largely offset by fluid milk products, WMP, cheese and WPC.

Imports for the 12 months to February 2019 were up 5%, or 90,900 MT, compared to the same period the previous year. SMP, fluid milk products, WMP, infant formula and MPC were up a combined 94,200 MT offset by declines in whey powder, other powders.

ASIA

10% ↑
Change for February 2019 compared to February 2018

7% ↑
Change for the 12 months to February 2019

Asia (excluding China) dairy import volumes[1] increased 10%, or 37,500 MT, in February compared to the same period last year. SMP, fluid milk products, cheese and WMP were up but offset by declines in whey powder, ice cream and other powders.

Imports for the 12 months to February were up 7%, or 309,400 MT, compared to the same period the previous year. This growth continues to be driven by fluid milk products, WMP, SMP, lactose, cultured products, cheese, and infant formula up a combined 295,200 MT.

The import market remains in a solid growth phase.

MIDDLE EAST & AFRICA

11% ↓
Change for February 2019 compared to February 2018

7% ↓
Change for the 12 months to February 2019

Middle East and Africa dairy import volumes[1] decreased 11%, or 39,300 MT in February 2019 compared to the same period last year. Small growth in MPC was offset by declines in most other product, principally cheese, SMP, infant formula and butter down a combined 30,500 MT.

Imports for the 12 months to February 2019 were down 7%, or 306,700 MT, compared to the same period the previous year. The reduction has been driven by cheese, fluid milk products, SMP, butter and other powders down a combined 307,200 MT.

CHINA

11% ↑
Change for March 2019 compared to March 2018

8% ↑
Change for the 12 months to March 2019

China dairy import volumes increased 11%, or 22,700 MT, in March compared to the same period last year. This was driven by increases in WMP and fluid milk products up a combined 35,300 MT but partially offset by whey powder which was down 13,400 MT.

Imports for the 12 months to March were up 8%, or 219,300 MT, compared to the same period last year.

Strong demand out of China continued with imports across all key categories, notably WMP, SMP, infant formula and lactose, which were up a combined 202,200 MT.

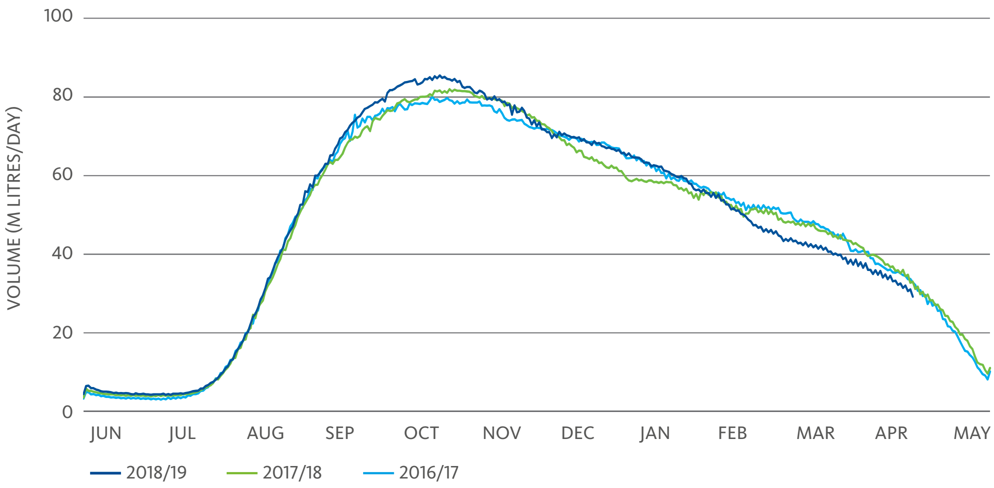
1 Estimates are included for those countries that have not reported data.

FONTERRA MILK COLLECTION 2018/19 SEASON

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

CLICK HERE ▶

NEW ZEALAND MILK COLLECTION



NEW ZEALAND

9% ↓
Decrease for April 2019 compared to April 2018

1% ↑
Season to date
1 June to 30 April

Drier than average conditions continued into April for some regions, affecting volumes.

Collection for the season to date reached 1,454 million kgMS, up 1%. Strong spring volumes are now being offset by decreases for February, March and April compared to the same months last season.

NORTH ISLAND

13% ↓
Decrease for April 2019 compared to April 2018

1% ↑
Season to date
1 June to 30 April

Northern regions continued to be affected by the dry weather, and although rainfall helped improve pasture conditions to some extent, farms began to dry off for the season.

Collections in April were 57 million kgMS, 13% behind the same month last season, with season to date collection reaching 862 million kgMS, 1% ahead of last season.

SOUTH ISLAND

5% ↓
Decrease for April 2019 compared to April 2018

3% ↑
Season to date
1 June to 30 April

Central South Island continued its strong production profile in April, however drier than normal conditions had some impact on volumes in the lower South Island.

Collections in April were 52 million kgMS, 5% lower than the same month last season, with season to date collection reaching 592 million kgMS, up 3% on last season.

AUSTRALIA

31% ↓
Decrease for April 2019 compared to April 2018

19% ↓
Season to date
1 July to 30 April

Fonterra's share of monthly collection continues to reduce due to adverse on-farm and weather conditions, increasing cull cow rates, retirements in key regions, cost of inputs and milk collection losses in a highly competitive market.

Dairy Australia continue to forecast a milk production decline of between 7% and 9% for the season.

Forecast Farmgate Milk Price and Fonterra Milk Collection Across New Zealand

The 2019/20 Forecast Farmgate Milk Price range is $6.25-$7.25 per kgMS. Collections are estimated at 1,520 million kgMS in the 2019/20 season.

NZD per KGMS **6.25-7.25**

Forecast Farmgate Milk Price for the 2019/20 season

1,520M KGMS

Forecast milk collection for the 2019/20 season

The inclusion of off-GDT sales contributed 10 cents per kgMS to the Milk Price for the season to 30 April 2019.

OUR MARKETS

FONTERRA GLOBAL DAIRY TRADE RESULTS

Fonterra GDT results at last trading event **21 May 2019:**

2.3% ↓

Change in Fonterra's weighted average product price from previous event

USD **3,485**

Fonterra's weighted average product price (USD/MT)

14.8 000' MT

Fonterra product quantity sold on GDT

CHEDDAR

15.0% ↑

USD 4,851/MT

RENNET CASEIN

4.6% ↑

USD 6,916/MT

SMP

0.4% ↑

USD 2,550/MT

AMF

1.2% ↓

USD 6,140/MT

WMP

2.1% ↓

USD 3,180/MT

BUTTER

3.4% ↓

USD 5,297/MT

Fonterra GDT sales **by destination**:

NORTH ASIA (INCLUDING CHINA)

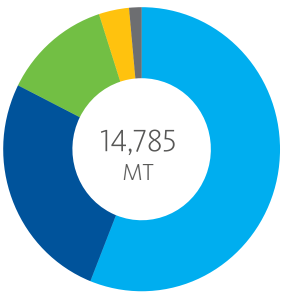
SOUTH EAST ASIA

MIDDLE EAST AND AFRICA

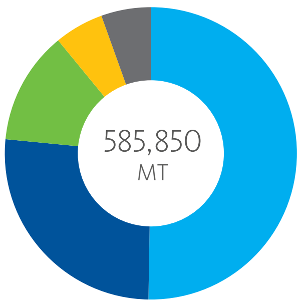
LATIN AMERICA

OTHER

LATEST AUCTION



FINANCIAL YEAR-TO-DATE



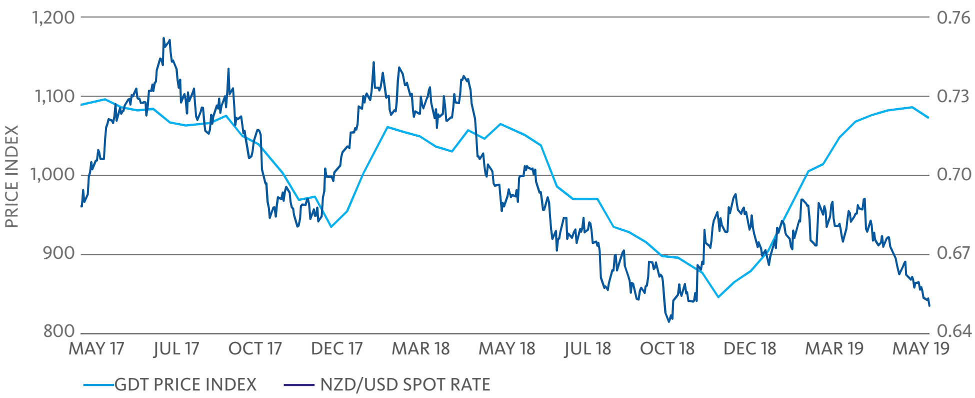
To view more information, including a snapshot of the rolling year-to-date results –

CLICK HERE ▶

▶ The next trading event will be held on 4 June 2019. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The New Zealand dollar weakened further in April as inflation data increased the likelihood of a reduction in interest rates by the Reserve Bank of New Zealand.



OUR **PERFORMANCE**

Fonterra and The Coca-Cola Company launch dairy beverages alliance across southeast Asia

Fonterra and The Coca-Cola Company (Coca-Cola) have entered into a strategic alliance that aims to capture opportunities in the growing dairy beverage category in southeast Asia.

The partnership combines Fonterra's generations of expertise in dairy nutrition with Coca-Cola's in-market sales and distribution capabilities and kicks off with the launch of a new range of dairy-based products in Vietnam.

The new products, launched under Coca-Cola's Nutriboost brand, Fonterra's trusted and nutritious dairy, providing important nutrition to kids, teens and adults in a product range that can be enjoyed at different occasions throughout the day. Nutriboost is already a leading beverage brand in Vietnam that offers customers a delicious combination of nutritious milk and fruit juice in a ready-to-drink product.

Judith Swales, Chief Operating Officer of Fonterra's Global Consumer and Foodservice business, says the alliance aims to grow demand and increase share in the dairy beverage category across the region.

"Both Fonterra and Coca-Cola are committed to disrupting and accelerating the growth of the dairy ready-to-drink category in southeast Asia, by exciting consumers with innovative new products that offer tailored nutritional benefits," says Judith.

"Dairy has become one of the fastest growing beverage categories in southeast Asia. Demand is being driven by consumers' increased focus on health and wellness and the category is expected to grow on average at more than five per cent each year between 2016 and 2020.

Iain McLaughlin, President of The Coca-Cola Company's ASEAN business unit, says the alliance with Fonterra is in-line with Coca-Cola's well-established strategy to become a total beverage company.

"We believe the value-added dairy beverage category offers a significant opportunity for growth in the region and the expanded Nutriboost range is the first step in our combined efforts with Fonterra to deliver winning new products for consumers," said Iain.

Following the launch of the Nutriboost kids and adults ranges in Vietnam, Coca-Cola and Fonterra will explore opportunities to launch a range under Fonterra's Anchor brand as well as new products in other markets across southeast Asia including Indonesia, Thailand and Philippines.

FONTERRA CHANGES TANKER SCHEDULE FOR #1 FAN

In the Te Rapa district of Hamilton, our tanker drivers know that every evening their biggest fan will be waiting for them on a dairy farm on Reid Road.

Fonterra milk tankers are Andrew Oliver's favourite thing in the world and local tanker drivers have long known that Andrew won't go to bed until they've been on the farm.

But when it became unmanageable for his 65-year-old parents, we knew we had to step in and help.

Our Te Rapa tanker depot changed their milk tanker schedule in the entire district so that Andrew would go to bed on time.

Andrew Oliver is one of about eight people in the world living with Fryns-Aftimos syndrome – he's the oldest known to have it and the only one in New Zealand with the condition.

The extremely rare syndrome is the result of a mutation in one of his chromosomes which means that, at 35 years old, he has the mental age of a 6-year-old and suffers many other symptoms.

For the past 15 years he's had a special relationship with our tanker drivers.

Ken Oliver, his father, said Andy discovered the tanker when the farm went onto the night shift for milk pick up.

"He learned what it was, came out to see it occasionally and once in a while would talk to a driver. But then with Andy, the normal thing is with something like this – it would become a habit. And so he had to be out to see the tanker. That became part of his nightly routine."

ANDY ON HIS WAY TO MEET THE FONTERRA TANKER. PHOTO: RNZ

Andy's nightly routine consists of a list of things he has to tick off.

Every night he draws a picture to give to the tanker driver, he has to watch the weather report on the 6pm news, then he has dinner and a bath.

But the last thing to tick off – is the tanker.

Ken said that if the tanker hadn't come, Andy wouldn't go to bed. For him, waking up at 5am to tend the farm, it became a struggle.

"We simply didn't know when the tanker was coming. You might get 2am in the morning or something like that and he wouldn't go to bed until the tanker had come."

For over a decade, Andrew's parents managed his tanker visits until one day Ken says he came to a breaking point.

"Deirdre had just been diagnosed with having had a minor stroke, I was absolutely out on my feet trying to keep the farm going. Surviving on three or four hours sleep and I'd just run out. I'd hit the wall and so I phoned the call centre and actually started crying on the phone, I was just so shot.

"I just said look, my life has just become impossible and just explained what was going on. I need sleep and I can't get sleep until this boy's in bed."

The person at the call centre decided to help.

After hearing about Ken's call, our depot decided to change their entire milk tanker schedule in the Te Rapa district to make sure Andy could get to bed on time.

Ken is now guaranteed a pick up anywhere between 6:30pm and 8pm.

Fonterra tanker driver Kevin Healey said Andy draws them a picture each night and they put them up on the wall at work.

"It's not something we encounter every day, we can tell you that... It's a special relationship."

On top of Andy's rare syndrome, he also has five types of epilepsy.

So the Te Rapa district tanker drivers have been briefed on health and safety procedures and what to do if Andy had a seizure during a tanker visit.

"A lot of us guys that have been here before, we know what to expect and we have an in cab screen which has a warning along the bottom to make sure drivers are reminded to be careful going down the track just in case Andy's floating about," Kevin said.

"That's programmed into the screen and would come up every time that vehicle comes into this farm, it would come up before we go."

These drivers mean a lot to Andy, but Kevin says Andy means a lot to them too.

The tanker drivers have supplied Andy with a uniform – a high-vis Fonterra shirt and a hat and have also given him a model tanker which is a part of his treasured truck collection.

Ken, who has his PhD in chemistry and has been a dairy farmer for 40 years, said the change in pick up time has meant a lot to the family.

"A big outfit like Fonterra doesn't have to do that. They simply could've ignored the request but no, they came through. And we're very grateful."

Kevin said the 15-minute visit to the farm to drain its milk vats every evening is a special treat for the tanker drivers on that shift.

"We like to come out here. You realise that you're lucky, how lucky you are that we're able to do this. If we can make Andy's day well, hey that's the icing on the cake."

Article produced by RNZ's Indira Stewart and Tim Collins, videographer.

SUPPLEMENTARY **INFORMATION**

Global Dairy Market

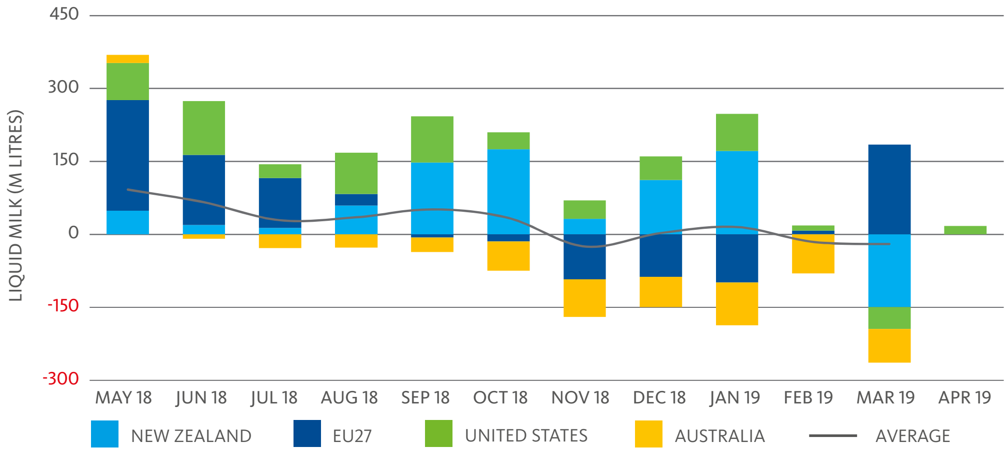
The charts on the right illustrate the year-on-year changes in imports, exports and production for a range of countries that are important players in global dairy trade.

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.

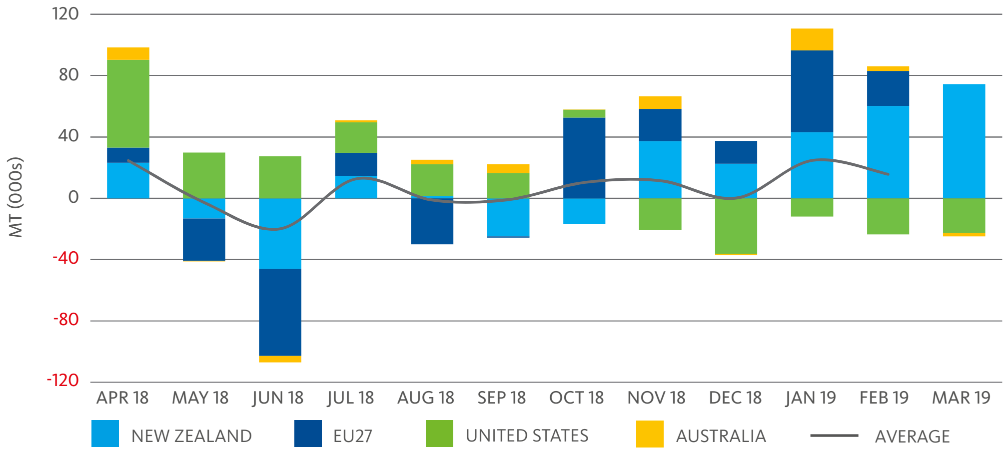
BACK TO SUMMARY ▶

PRODUCTION



NOTE: Data for New Zealand, EU and Australia to March; US to April.

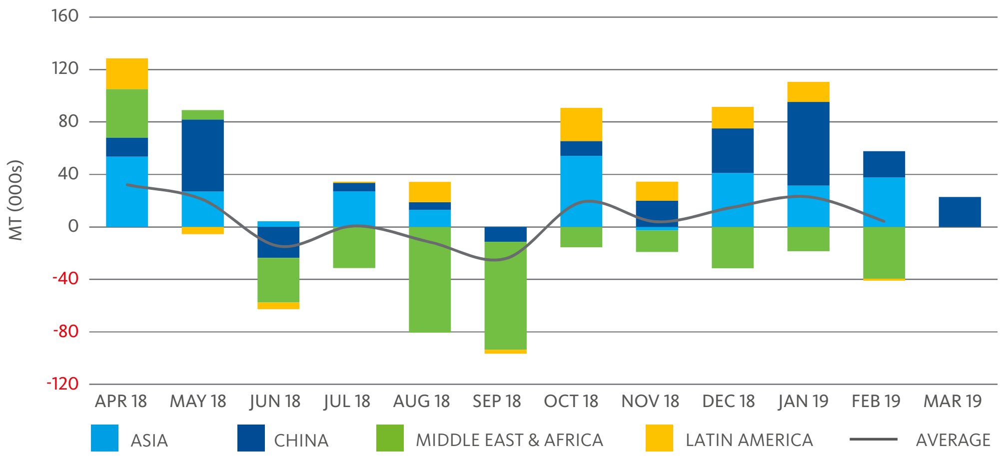
EXPORTS



NOTE: Data for EU to February; New Zealand, Australia and US to March.

BACK TO SUMMARY ▶

IMPORTS



NOTE: Data for Latin America, Asia, Middle East & Africa to February; China to March.

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

BACK TO SUMMARY ▶

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.

BACK TO SUMMARY ▶

MILK COLLECTION (MILLION KGMS)	APRIL 2019	APRIL 2018	MONTHLY CHANGE	SEASON-TO-DATE 2018/19	SEASON-TO-DATE 2017/18	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	109.1	120.4	(9.4%)	1,454.3	1,434.2	1.4%
North Island	56.7	65.3	(13.3%)	862.2	857.2	0.6%
South Island	52.4	55.1	(4.8%)	592.1	577.0	2.6%
Fonterra Australia	7.9	11.4	(30.7%)	107.0	131.8	(18.8%)

Fonterra GDT results

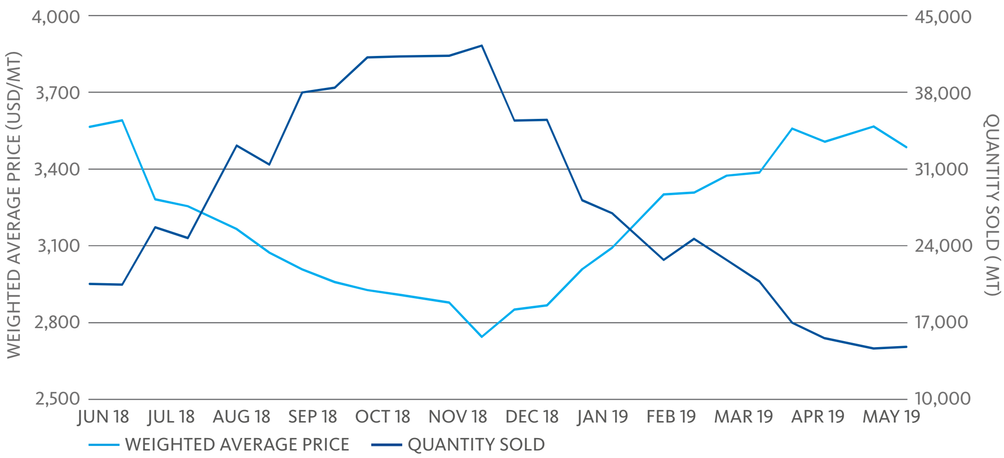
This table provides more information on the latest results, including a snapshot of the year-to-date results.

	LAST TRADING EVENT (21 MAY 2019)	YEAR-TO-DATE (FROM 1 AUGUST 2018)
Quantity Sold on GDT (Winning MT)	14,785	585,850
Change in Quantity Sold on GDT over same period last year	(15.5%)	12.9%
Weighted Average Product Price (USD/MT)	3,485	3,069
Change in Weighted Average Product Price over same period last year	(6.1%)	(8.5%)
Change in Weighted Average Product Price from previous event	(2.3%)	–

Fonterra GDT Results

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

BACK TO SUMMARY ▶



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 Products
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
Global Dairy Trade, 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.

MPC
Milk Protein Concentrate.

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.

WPC
Whey Protein Concentrate