



MARCH 2020

Global Dairy UPDATE



- Monthly New Zealand production flat and Australian production steadies. Increase in EU and US production.

- Helping with New Zealand's sanitiser shortage.



- Monthly exports from the US and EU grow. New Zealand, Australia monthly exports decline.



- Latin America and Asia monthly imports down. December imports up for Middle East and Africa. China records decline for first two months of 2020.

- Fonterra announced its Interim Results on 18 March.

[For further details, view our website –](#)



- Fonterra's milk collection across New Zealand for the nine months to 29 February reached 1,212 million kgMS, down 0.3% on last season. Fonterra's Australian milk collection decreased 15.0% to 77.3 million kgMS.

- Fonterra completes sale of Dennington.

Key Dates



20 April 2020
Share Standard Compliance
2019/20 Season

May 2020
FY20 Q3 Business Update

1 June 2020
Measurement Date for Share
Standard 2020/21 Season



Monthly New Zealand production flat and Australian production steadies. Increase in EU and US production

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

NEW ZEALAND

0.0%↑

Change for February 2020 compared to February 2019

1.6%↓

Change for the 12 months to February 2020

New Zealand milk production¹ was flat on a litres basis in February (up 1.7% on milk solids basis compared to the same period last year).

Adjusting for the leap year, February 2020 production was down 3.4% (down 1.8% on a milk solids basis).

Drought conditions across the North Island and heavy rainfall in the lower South Island affected milk production in February.

New Zealand milk production for the 12 months to February was 1.6% lower than last year.

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

AUSTRALIA

0.5%↑

Change for January 2020 compared to January 2019

5.6%↓

Change for the 12 months to January 2019

Australia milk production increased 0.5% in January compared to the same period last year.

Production for the 12 months to January was down 5.6% on the previous 12 months.

Australian production has steadied in recent months, with rainfall in many regions offsetting the impact of dry conditions and helping to offset higher feed costs.

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

EUROPEAN UNION

1.1%↑

Change for January 2020 compared to January 2019

0.6%↑

Change for the 12 months to January 2020

EU milk production increased by 1.1% in January compared to the same period last year.

The largest production growth can be seen in The Netherlands (up 2.8%), Poland (up 2.2%) followed by France (up 1.3%) and Germany (up 0.7%).

The increase in milk production is likely to translate into more cheese, especially from Poland where the growth has been sustained for the last six months.

EU milk production for the 12 months to January was up by 0.6% compared to the same period last year.

USA

5.3%↑

Change for February 2020 compared to February 2019

0.8%↑

Change for the 12 months to February 2020

US milk production increased by 5.3% in February compared to the same period last year. However, with February 2020 containing an extra day due to 'leap year', the adjusted increase is closer to 2% on a daily basis.

February's continued milk production growth is driven by steady increases in herd sizes and in milk per cow.

Milk production for the 12 months to February was 0.8% higher compared to the same period last year.

¹ New Zealand production is measured in litres.

Note: February 2020 production numbers include one extra day of production as 2020 is a leap year.



Monthly exports from the EU and US grow. New Zealand and Australia monthly exports decline

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

NEW ZEALAND

6.1% ↓

Change for February 2020 compared to February 2019

3.7% ↑

Change for the 12 months to February 2020

Total New Zealand dairy exports decreased by 6.1%, or 19,348 MT, in February compared to the same period last year. This was primarily driven by decreased demand for butter from Iran and for fluid milk products from China, down a combined 20,068 MT.

Exports for the 12 months to February were up 3.7%, or 124,552 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products, cheese and infant formula, up a combined 156,044 MT.

AUSTRALIA

18.1% ↓

Change for January 2020 compared to January 2019

5.7% ↓

Change for the 12 months to January 2020

Australia dairy exports decreased by 18.1%, or 11,683 MT, in January compared to the same period last year. This was primarily driven by SMP and infant formula, down a combined 12,410 MT.

Exports for the 12 months to January were down 5.7%, or 45,072 MT, on the previous comparable period.

Declines were recorded across a broad range of products with SMP, whey, cheese and WMP down a combined 76,126 MT partially offset by an increase in fluid milk products, up 37,635 MT.

EUROPEAN UNION

3.0% ↑

Change for December 2019 compared to December 2018

7.6% ↑

Change for the 12 months to December 2019

EU dairy exports increased by 3.0%, or 12,444 MT, in December compared to the same period last year. This was mainly driven by increases in butter, fluid milk products, cheese and WMP, up a combined 29,405 MT, and partially offset by a decrease in SMP exports of 18,349 MT.

Exports for the 12 months to December were up 7.6%, or 408,870 MT, on the previous comparable period. SMP, fluid milk products, butter, cheese and lactose were the main drivers of this growth, up a combined 415,121 MT.

USA

18.8% ↑

Change for January 2020 compared to January 2019

3.4% ↓

Change for the 12 months to January 2020

US dairy exports increased 18.8%, or 31,964 MT, in January compared to the same period last year marking the fourth consecutive month of growth. The increase was driven primarily by SMP, up 20,153 MT, and WPC and lactose, up a combined 9,849 MT. This increase is the result of higher demand from Indonesia, Philippines and Vietnam. Whey exports have started to grow and were up by 923 MT after months of sustained declines.

Exports for the 12 months to January 2020 were down 3.4%, or 80,441 MT, on the previous comparable period. The decrease was driven by whey and AMF, down a combined 85,416 MT.



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

Latin America and Asia monthly imports down. December imports up for Middle East and Africa. China records decline for first two months of 2020

LATIN AMERICA

5.8% ↓

Change for December 2019 compared to December 2018

1.0% ↓

Change for the 12 months to December 2019

Latin America dairy import volumes¹

decreased 5.8%, or 9,125 MT, in December compared to the same period last year. This was driven by decreases in infant formula and SMP down a combined 9,130 MT.

Imports for the 12 months to December 2019 were down 1.0%, or 19,560 MT, compared to the same period the previous year. Decreases were driven primarily by infant formula, whey and cultured products, down a combined 61,711, largely offset by increases in WPC, fluid milk products and cheese, up by a combined 48,560 MT.

ASIA

3.6% ↓

Change for December 2019 compared to December 2018

1.6% ↑

Change for the 12 months to December 2019

Asia (excluding China) dairy import volumes¹

decreased 3.6%, or 14,740 MT, in December compared to the same period last year. Decreases were recorded in SMP and fluid products, down 27,622 MT, partially offset by increases in whey, cheese and butter, up a combined 10,186 MT.

Imports for the 12 months to December were up 1.6%, or 78,919 MT, compared to the same period the previous year. Growth was recorded across SMP, cheese and butter, up a combined 70,998 MT.

MIDDLE EAST & AFRICA

3.1% ↑

Change for December 2019 compared to December 2018

1.8% ↓

Change for the 12 months to December 2019

Middle East and Africa dairy import volumes¹

increased 3.1%, or 10,497 MT, in December 2019 compared to the same period in 2018. Increases were recorded principally in SMP, WMP and butter, up a combined 21,856 MT, partly offset by a significant drop in infant formula, down 11,498 MT.

Imports for the 12 months to December 2019 were down 1.8%, or 73,730 MT, compared to the prior comparable period. This was driven by large decreases in cheese and WMP, down a combined 112,017 MT, partly offset by a significant increase in infant formula of 69,071 MT.

CHINA

2.1% ↓

Change January-February 2020 compared to same period 2019

7.5% ↑

Change for the 12 months to February 2020

China dairy import volumes

decreased by 2.1%, or 13,605 MT, in the January-February period compared to the same period last year. Based on aggregated data for January and February from Beijing Orient Agri-business, the decrease was the result of lower volumes of SMP (25% or 20,875 MT), WMP (5% or 11,358 MT) and lactose (41% or 7,311 MT), partially offset by an increase in butter, fluid milk products and whey, up a combined 26,153 MT.

COVID-19-related public health measures put in place in February are likely to have impacted China's imports.

New Zealand's exports to China reduced by 1.5% over this period.

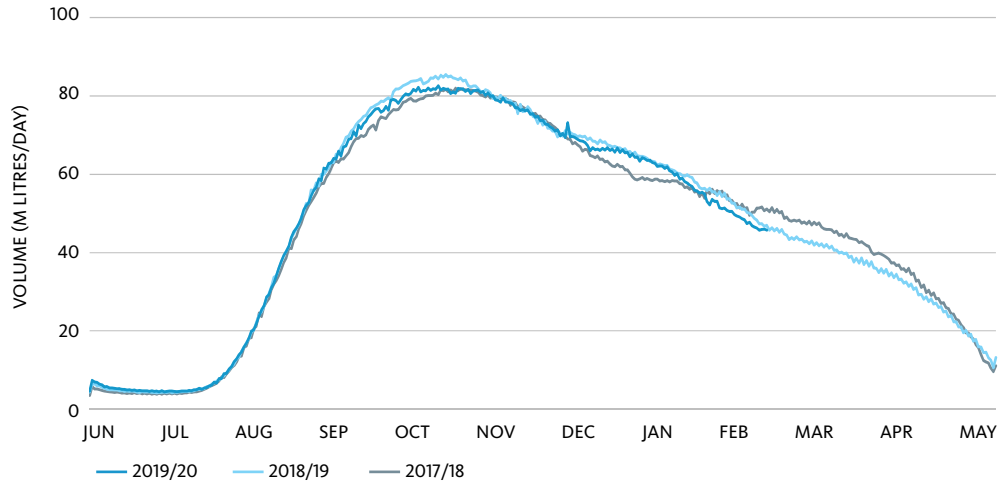
¹ Estimates are included for those countries that have not reported data.

Fonterra Milk Collection 2019/20 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

0.3%↑

Change for February 2020 compared to February 2019

0.3%↓

For the 2019/20 season compared to the previous season

Fonterra's New Zealand collection for the month ended 29 February was 133.5 million kgMS, up 0.3% on last February.

Season-to-date collection was 1,212.6 million kgMS, down 0.3% on last season.

February saw drought conditions across much of the North Island. These conditions notably impacted milk production in the North Island. South Island collections have held, with season-to-date collections marginally above last season.

The inclusion of off-GDT sales contributed 8 cents per kgMS to the Milk Price for the season to 31 January 2020.

NORTH ISLAND

4.1%↓

Change for February 2020 compared to February 2019

1.0%↓

For the 2019/20 season compared to the previous season

North Island milk collection for the month ended 29 February was 70 million kgMS, down 4.1% on last February.

Season-to-date collection was 730.1 million kgMS, down 1% on last season.

Drought conditions persisted throughout February, impacting milk production across most regions, with northern areas significantly impacted.

Leap day impact

An additional 4.3 million kgMS was collected nationally (2.2 million in the North Island, 2.1 million in the South Island) when compared to last season

SOUTH ISLAND

5.6%↑

Change for February 2020 compared to February 2020

0.9%↑

For the 2019/20 season compared to the previous season

South Island milk collection for the month ended 29 February was 63.7 million kgMS, up 5.6% on last February.

Season-to-date collection was 482.5 million kgMS, up 0.9% on last season.

Canterbury and Southland/Otago regions received rain mid-month which improved pasture growth.

AUSTRALIA

2.7%↓

Change for February 2020 compared to February 2019

15.0%↓

Season to date 1 July to 29 February

Fonterra's Australia collection in February were 7.6 million kgMS, down 2.7% on February last season.

Average to above-average rainfall and mild summer conditions for much of Australia during February provided some month-on-month stability.

Season-to-date collections reached 77.3 million kgMS, down 15.0% on the same period last season.

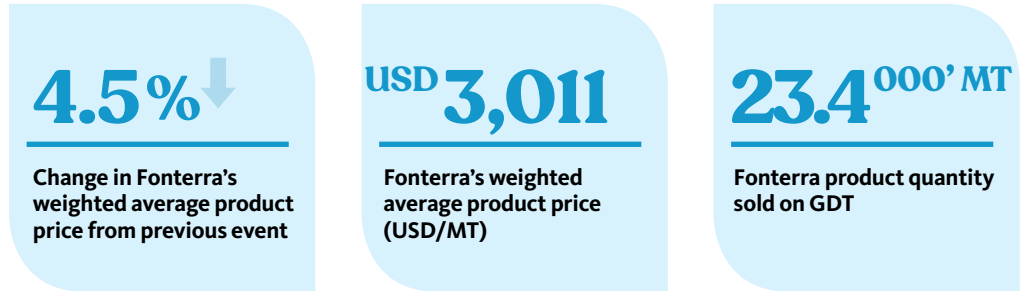
Fonterra collections continue to be impacted by a highly competitive milk supply market which has seen losses primarily to milk brokers. Fonterra also decided to purchase less milk from third parties given the increased focus on higher-value products.

OUR MARKETS

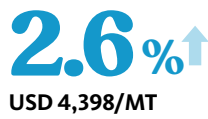
Fonterra Global Dairy Trade Results



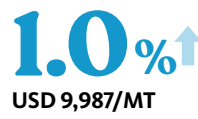
Fonterra GDT results at last trading event
17 March 2020:



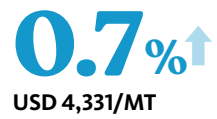
CHEDDAR



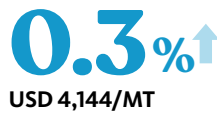
RENNET CASEIN



AMF



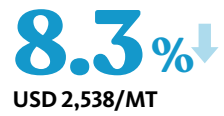
BUTTER



WMP



SMP



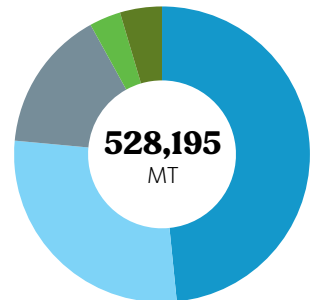
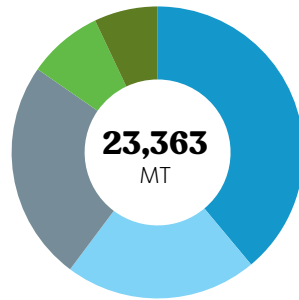
Fonterra GDT sales by destination:

LATEST AUCTION

FINANCIAL YEAR-TO-DATE

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

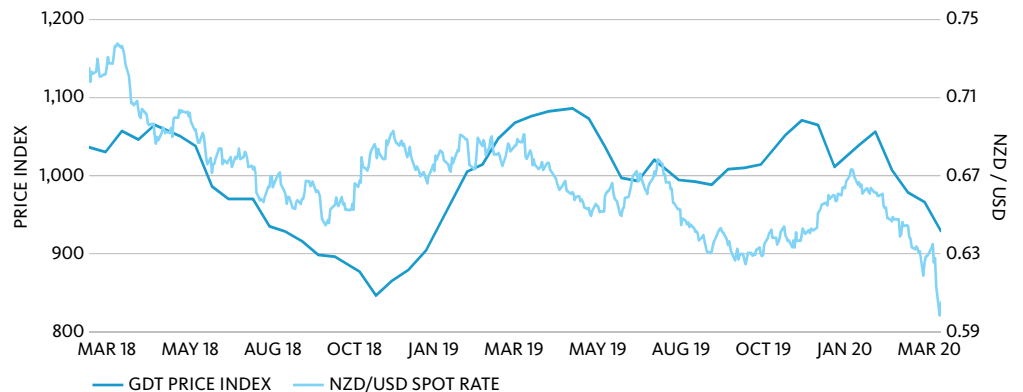
- NORTH ASIA (INCLUDING CHINA)
- SOUTH EAST ASIA
- MIDDLE EAST AND AFRICA
- LATIN AMERICA
- OTHER



▶ The next trading event will be held on 7 April 2020. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

As the COVID-19 virus began to spread outside of China and the likely economic headwinds resulting from quarantine efforts came into focus, the NZ dollar declined from 65 US cents early in February to 62 US cents by the end of February and reduced significantly during March.





Helping with New Zealand's sanitiser shortage

One of the ways Fonterra is helping to keep people safe during COVID-19 is by making more of its high-grade ethanol available to companies who use it in the production of sanitiser products, including hand sanitiser.

This comes as the need for sanitiser grows exponentially throughout the country.

Fonterra is now manufacturing an additional 220,000 litres, on top of the 375,000 litres it has already made available to sanitiser manufacturers in recent weeks and it is now looking at all viable options to increase ethanol production to help with supply of sanitiser in the weeks and months ahead.

On top of that, Fonterra has been working with its customers who use ethanol but don't make sanitiser, to see if stock can be redirected to create more supply.

Working closely with long-time customer, fuel company Gull, the Co-op has been independently testing Gull's ethanol stock

originally destined for fuel to determine where it's suitable for use in sanitiser. With the support of Gull, 250,000 litres has been independently tested, and is now approved for sale to sanitiser producers via Fonterra's distribution network.

To date, an additional 403,000 litres of ethanol stock has been redirected towards sanitiser production all thanks to the support of Fonterra's customers.

In total, 1 million litres of ethanol has been redirected for sanitiser, which is the equivalent of 5.7 million 250ml bottles of hand sanitiser.

Ongoing work to achieve this has been made possible by the efforts of teams across the Co-op and with the help of Fonterra's national distributor Axieo.

Head of Fonterra's ethanol business, Lactanol, Peter Motion, says it's the socially responsible thing to do and really needed right now by our communities, especially those people and businesses on the front line

of the country's COVID-19 response efforts.

"We will continue to work with our distributor and transport providers to improve supply chain efficiencies and increase the weekly volume available of ethanol available to producers from less than 85,000 litres a week to more than 250,000 litres a week.

"Fonterra is also continuing to work with the Government to identify and prioritise industries that need sanitising products as they will be a necessity for all essential services," says Peter.

"But it's not only about looking after our communities, we're looking after our employees too."

"We are working hard to keep up with the increased hand sanitiser needs at our sites, and we are currently in the final stage of the process to make our own quality sanitiser product to ensure our people have what they need while at work. Production is scheduled to start this weekend," says Peter.



A new chapter for Dennington factory

ProviCo Australia buys Fonterra's Dennington site.

Fonterra Australia and ProviCo Australia have signed a sale and purchase agreement for Fonterra's Dennington manufacturing site. The sale will be complete by 22 April 2020.

ProviCo is an Australian-owned company established in 2003 and a leader in animal nutrition. It is Australia's largest supplier of calf milk replacers, manufacturing a range of feed and vitamin-fortified products for animals including cattle, dairy, sheep, horses and pigs.

Fonterra Australia Managing Director René Dedoncker said the sale is good news for Dennington and its surrounding community.

"Since we announced the factory's closure in May, we've been working with potential buyers to find a commercially viable and sustainable future for the site, and we're pleased to be selling the factory to ProviCo

with all of its operational capabilities and assets intact.

"The sale creates a new chapter for the factory, which has been an important part of the Dennington community for more than 100 years," said Mr Dedoncker.

Managing Director of ProviCo Australia, Andrew Paterson, said that the sale will create new jobs for the Dennington community and provide environmental benefits for the agriculture industry.

"Active in the circular economy, our business is focused on salvaging raw materials and turning them into animal nutrition products. This helps the food industry minimise their waste costs and ProviCo's products improve farm performance and health of animals and soils.

"We'll be employing local people and will work with local training institutions to provide on-the-job skills training to create further

employment opportunities for the community.

"As well as creating local jobs, we're committed to sustainability and sustainable initiatives are a big part of our plans. The Dennington site will be a hub for our sustainability programmes around renewable energy and sustainable farming products," said Mr Paterson.

ProviCo will use the site to manufacture a range of animal nutrition foods that deliver health and performance benefits for infant and production animals. As part of the sale agreement, ProviCo will also take over the responsibility for the Dennington memorabilia hall and its contents.

The Dennington church and its hall are not included in the sale. Fonterra is in discussions with the Warrnambool Council on the future of the church and its hall and hopes to be able to communicate the outcome of these discussions soon.

Supplementary Information

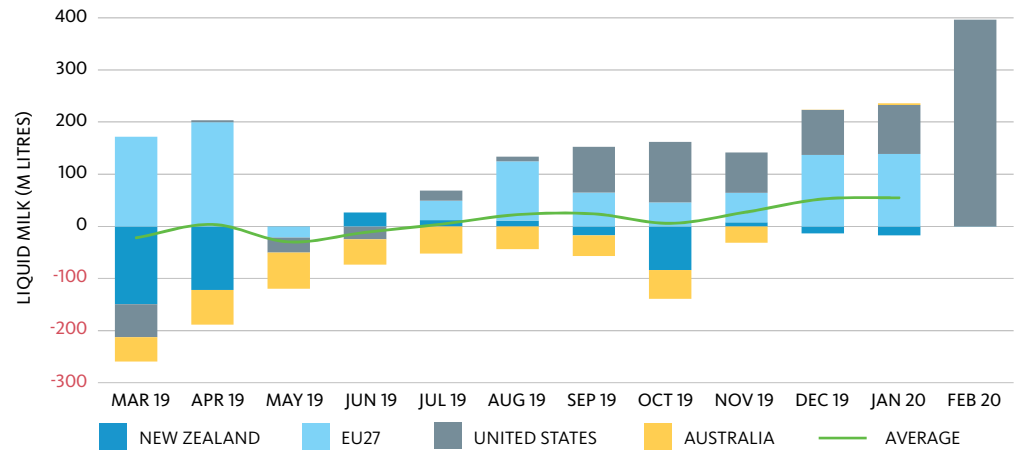
Global Dairy Market

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.

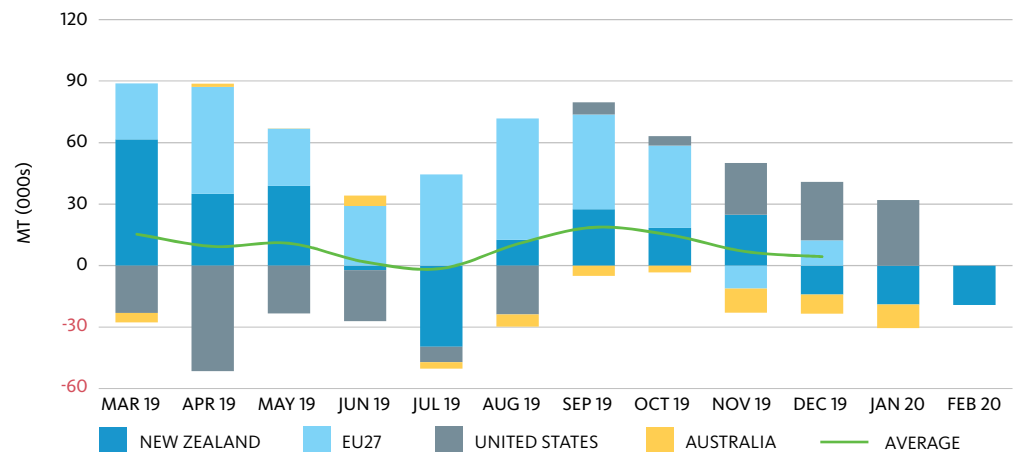
Averages are shown where data is complete for the regions presented.

PRODUCTION



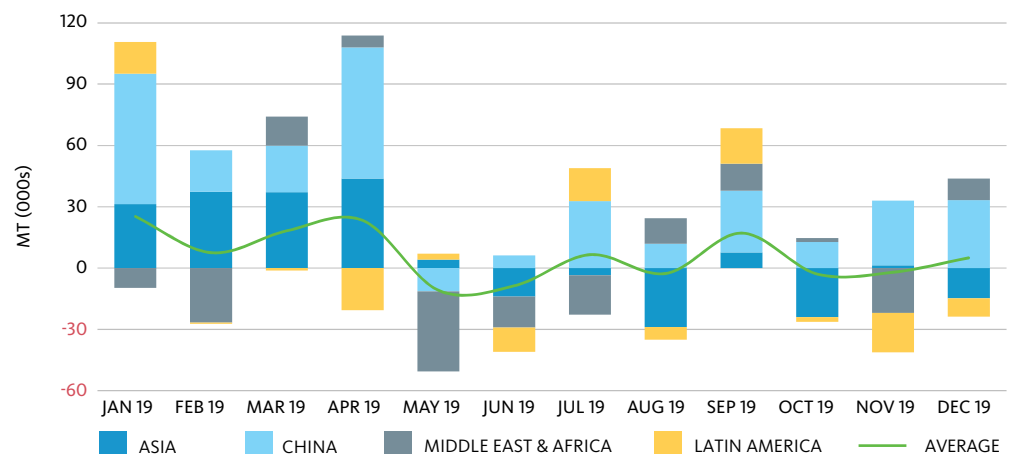
NOTE: Data for EU and Australia to January; New Zealand and US to February.

EXPORTS



NOTE: Data for EU to December; Australia and US to January; New Zealand to February.

IMPORTS



NOTE: Data for China, Asia, Latin America and Middle East & Africa to December.

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)	FEBRUARY 2020	FEBRUARY 2019	MONTHLY CHANGE	SEASON-TO-DATE 2019/20	SEASON-TO-DATE 2018/19	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	133.5	133.1	0.3%	1,212.6	1,215.7	(0.3%)
North Island	69.8	72.8	(4.1%)	730.1	737.6	(1.0%)
South Island	63.7	60.4	5.6%	482.5	478.1	0.9%
Fonterra Australia	7.6	7.8	(2.7%)	77.3	90.9	(15.0%)

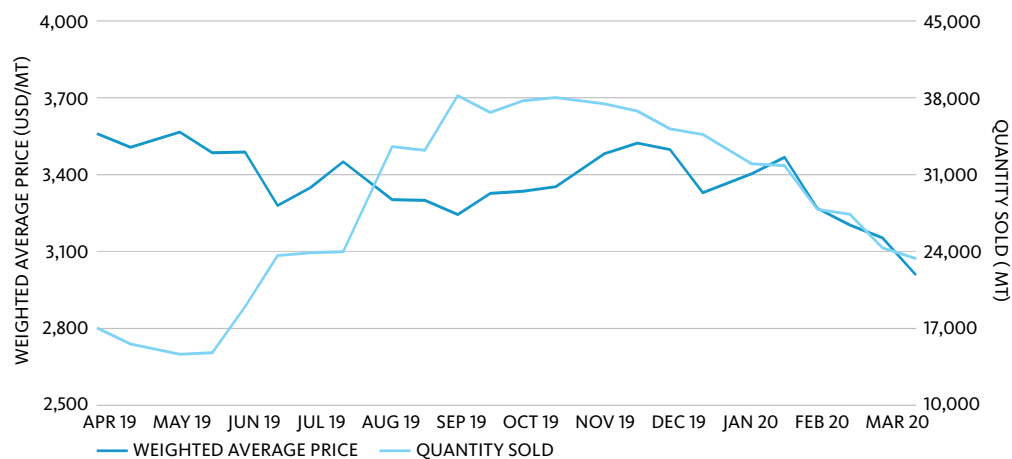
Fonterra GDT results

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

	LAST TRADING EVENT (17 MARCH 2020)	YEAR-TO-DATE (FROM 1 AUGUST 2019)
Quantity Sold on GDT (Winning MT)	23,363	528,195
Change in Quantity Sold on GDT over same period last year	12.6%	0.8%
Weighted Average Product Price (USD/MT)	3,011	3,338
Change in Weighted Average Product Price over same period last year	(11.1%)	10.7%
Change in Weighted Average Product Price from previous event	(4.5%)	-

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 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.

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