



Market Announcement

24 April 2020

Communication to Fonterra farmers

The attached communication was provided to Fonterra Co-operative Group Limited farmers by the Chairman, John Monaghan, on 24 April 2020.

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24 APRIL 2020

CHAIRMAN'S EMAIL: CHANGES TO THE ADVANCE RATE

Dear [name]

In-line with our strategy, we have been looking at improvements to the Advance Rate and the potential for incentive payments linked to our Co-operative Difference programme.

We plan to make a series of announcements as part of this work before the start of the 2020/21 season, starting today with improvements to our Advance Rate.

From 1 June 2020 our Co-op is implementing three improvements to the Advance Rate that will help to improve cashflow on farm and simplify the guidelines.

1. **Bringing forward the monthly payment date:** to the 15th of the month (currently the 20th).
2. **Bringing forward final settlement payments:** We want payments to farmers to be settled as soon as possible after year end. The October retro payment will now be paid in full no later than 5 working days after Annual Results. This is in addition to the usual September Retro payment which will be paid on the 15th of that month.
3. **Simplifying the Advance Rate Board Guidelines:** We are moving to a single guideline for the Advance Rate (irrespective of the opening forecast Farmgate Milk Price range). The Advance rate will start in July at 65% of the mid-range of the forecast Farmgate Milk Price range.

These changes mean that (using a \$7.30 milk price as an example) by the end of January an average 140,000 kgMS farm will have received \$30,000 earlier than under the current Advance Rate schedule.

In this same example, bringing forward the October retro payment means that this average farm will receive their final payment of \$50,000 approximately three weeks earlier.

These improvements have been managed without reducing the strength of our Co-op's balance sheet or having a negative impact on our credit rating.

You can read more details of these changes on Farm Source.

John.