



MAY 2020

Global Dairy UPDATE



- Monthly New Zealand production flat. Australia production continues to improve. US and EU new season production up.



- New Zealand monthly exports decline. Increase in monthly exports from Australia, US and EU.



- China monthly imports up. Latin America, Asia and Middle East and Africa imports down.



- Fonterra's milk collection across New Zealand for the eleven months to 30 April reached 1,447 million kgMS, down 0.5% on same time last season. Fonterra Australia milk collection decreased 12.9% to 93.2 million kgMS for the season to 30 April 2020.



- Third Quarter Business Update.

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



- 2020 Fonterra Dairy Woman of the Year.
- Fonterra employee named New Zealand's 2020 Champion Cheese-maker.

Key Dates



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

31 July 2020
End of Financial Year 2020

September 2020
FY20 Annual Results Announcement

20 April 2021
Compliance Date for 2020/21 Season



Monthly New Zealand production flat. Australia production continues to improve. US and EU new season production up

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

NEW ZEALAND

0.6% ↓

Change for April 2020 compared to April 2019

0.5% ↓

Change for the 12 months to April 2020

New Zealand milk production¹ was relatively flat, down 0.6% on a litres basis (down 0.8% on milk solids basis) in April compared to April last year.

Dry conditions continued across most of New Zealand and affected April milk production. The ongoing lack of rain resulted in soils remaining considerably drier than normal in many parts of the North Island.

New Zealand milk production for the 12 months to April was also relatively flat, 0.5% lower than last year.

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

AUSTRALIA

7.1% ↑

Change for March 2020 compared to March 2019

3.4% ↓

Change for the 12 months to March 2020

Australia milk production increased 7.1% in March compared to the same period last year.

Milk production is continuing to increase in the second part of the season especially from Victoria and Tasmania as a result of more favourable weather conditions.

Production for the 12 months to March was down 3.4% on the previous 12 months.

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

EUROPEAN UNION

0.9% ↑

Change for March 2020 compared to March 2019

1.0% ↑

Change for the 12 months to March 2020

EU milk production increased by 0.9% in March compared to the same period last year as the EU season gets underway.

The largest production growth was seen in Spain (up 7.1%), followed by The Netherlands (3.0%) and Poland (1.9%) but decreases were experienced by Italy (2.8%) and the UK (2.4%).

With a demand slowdown in response to the pandemic, milk is being redirected towards powders and the European Milk Board is pushing for excess supply to be reduced through a voluntary supply reduction.

USA

1.5% ↑

Change for April 2020 compared to April 2019

1.3% ↑

Change for the 12 months to April 2020

US milk production increased by 1.5% in April compared to the same period last year.

Despite lower foodservice demand, US milk production continued to grow year on year. Supply restrictions were put in place by some co-operatives given the lower demand and prior months' milk growth.

Herd sizes decreased for the first time since December as cow cull numbers ramped up.

Milk production for the 12 months to April was 1.3% higher compared to the same period last year.

¹ New Zealand production is measured in litres.

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



New Zealand monthly exports decline. Increase in monthly exports from Australia, US and EU

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

NEW ZEALAND

13.6% ↓

Change for March 2020 compared to March 2019

0.4% ↑

Change for the 12 months to March 2020

Total New Zealand dairy exports decreased by 13.6%, or 46,715 MT, in March compared to the same period last year. However, March 2019 was a strong export month.

March exports were primarily driven by lower demand for WMP from Thailand (down 5,000 MT), China (2,700 MT), and Saudi Arabia (2,600 MT).

Exports for the 12 months to March were up 0.4%, or 13,962 MT, on the previous comparable period. This was primarily driven by WMP and fluid milk products.

AUSTRALIA

4.1% ↑

Change for March 2020 compared to March 2019

6.9% ↓

Change for the 12 months to March 2020

Australia dairy exports increased by 4.1%, or 2,700 MT, in March compared to the same period last year. This was primarily driven by whey and cheese, up a combined 2,941 MT.

Exports for the 12 months to March were down 6.9%, or 54,004 MT, on the previous comparable period.

Declines were recorded across a broad range of products with SMP, whey, infant formula and cheese down 70,606 MT but partially offset by increases in fluid milk products, up 29,524 MT.

EUROPEAN UNION

0.4% ↑

Change for February 2020 compared to February 2019

6.1% ↑

Change for the 12 months to February 2020

EU (including UK) dairy exports increased by 0.4%, or 1,560 MT, in February compared to the same period last year but at a slower pace than the past two months. This was mainly driven by increases in butter, cheese, and fluid milk products to China, up a combined 16,188 MT, and largely offset by a decrease in SMP exports to Asia of 13,844 MT.

Exports for the 12 months to February were up 6.1%, or 332,657 MT, on the previous comparable period. Fluid milk products, SMP, butter and cheese were the main drivers of this growth, up a combined 313,937 MT.

USA

2.6% ↑

Change for March 2020 compared to March 2019

0.8% ↓

Change for the 12 months to March 2020

US dairy exports increased 2.6%, or 5,278 MT, in March compared to the same period last year, although the pace continued to slow compared to prior months.

The increase was driven by SMP to Indonesia, whey to China and WMP to Peru, up a combined 8,050 MT.

Exports for the 12 months to March 2020 were down 0.8%, or 19,775 MT, on the previous comparable period, driven by whey and AMF, down a combined 65,122 MT, but partially offset by an increase in SMP up 29,527 MT.



China monthly imports up. Latin America, Asia, Middle East and Africa monthly imports down

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

LATIN AMERICA

6.8%↓

Change for February 2020 compared to February 2019

1.9%↓

Change for the 12 months to February 2020

Latin America dairy import volumes¹ decreased 6.8%, or 10,296 MT, in February compared to February last year. This was driven by lower demand for SMP to Mexico, WMP to Brazil and infant formula to Columbia and Guatemala, down a combined 14,940 MT. Cheese imports to Mexico and El Salvador increased by 3,297 MT.

Imports for the 12 months to February were down 1.9%, or 37,566 MT, on the prior comparable period. Decreases were driven primarily by infant formula, WMP and whey, down a combined 67,848 MT, largely offset by increased WPC, up 19,981 MT.

ASIA

7.9%↓

Change for February 2020 compared to February 2019

1.2%↓

Change for the 12 months to February 2020

Asia (excluding China) dairy import volumes¹ decreased 7.9% or 31,804 MT, in February compared to the same period last year. Decreases were recorded for SMP to Vietnam and Philippines, fluid milk products to Philippines and whey to Indonesia, down 34,799 MT.

Imports for the 12 months to February were down 1.2%, or 59,855 MT, compared to the same period the previous year.

Decreases were recorded for SMP, fluid products, WMP and whey, down a combined 95,675 MT, but offset by increases in cheese and lactose of 30,423 MT.

MIDDLE EAST & AFRICA

4.7%↓

Change for February 2020 compared to February 2019

2.5%↓

Change for the 12 months to February 2020

Middle East and Africa dairy import volumes¹ decreased 4.7%, or 15,659 MT, in February compared to the same period last year. Decreases were recorded principally in infant formula to Nigeria and fluid milk products to Iraq and Libya, down a combined 23,723 MT.

Imports for the 12 months to February 2020 were down 2.5%, or 102,864 MT, compared to the same period last year. This was driven by large decreases in WMP and fluid milk products, down a combined 121,766 MT, and partly offset by an increase in SMP of 31,760 MT.

CHINA

10.1%↑

Change for March 2020 compared to March 2019

7.7%↑

Change for the 12 months to March 2020

China dairy import volumes increased by 10.1%, or 23,958 MT, in March compared to the same period last year.

The increase was the result of higher volumes across most products with whey, butter, SMP, cheese and WMP, up a combined 22,373 MT.

As the peak of the pandemic passes and the economy begins to slowly reopen, the increase in imports may not be sustained once inventory levels are rebuilt.

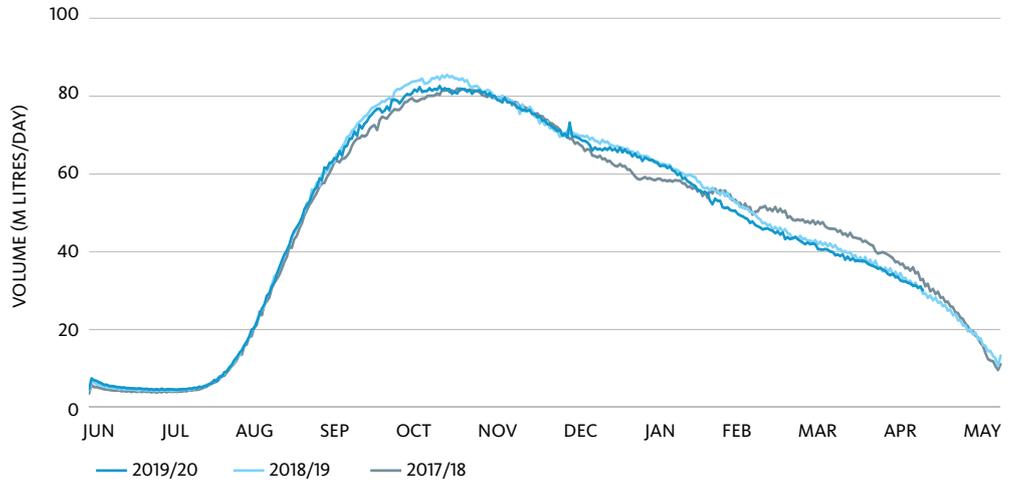
Imports for the 12 months to March were up 7.7%, driven by fluid milk products and WMP.

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



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

2.6% ↓

Change for April 2020 compared to April 2019

0.5% ↓

Season to date 1 June to 30 April

Fonterra's New Zealand collection in April was 106.3 million kgMS, 2.6% less than the same month last season.

Season-to-date collection was 1,447.2 million kgMS, down 0.5% on last season.

Drought conditions lingered throughout April as rainfall across northern and eastern areas of both islands was less than 50% of normal levels. Even so, many regions had more rain in April than in the entire first quarter of the year.

NORTH ISLAND

9.9% ↓

Change for April 2020 compared to April 2019

2.0% ↓

Season to date 1 June to 30 April

North Island milk collection in April was 51 million kgMS, down 9.9% on last April.

Season-to-date collection was 844.6 million kgMS, down 2.0% on last season.

Effects of the drought are still being felt across much of the North Island.

Soil moisture levels remain low, and pasture growth rates have slowed, both of which have impacted milk production.

SOUTH ISLAND

5.4% ↑

Change for April 2020 compared to April 2019

1.8% ↑

Season to date 1 June to 30 April

South Island milk collection in April was 55.3 million kgMS, up 5.4% on last April.

Season-to-date collection was 602.6 million kgMS, up 1.8% on last season.

The South Island has had a strong start to autumn, with milk production up strongly on the same time last year.

In the Central South, some farms are reported to have restarted water irrigation to alleviate dry soils.

AUSTRALIA

0.6% ↑

Change for April 2020 compared to April 2019

12.9% ↓

Season to date 1 July to 30 April

Fonterra's Australia collection in April was 7.9 million kgMS, an increase of 0.6% on April last season.

Milk collections are stabilising on improved seasonal conditions over the February-April period. Milk production outlooks are improving for the remainder of the season and into FY21.

Season-to-date collections reached 93.2 million kgMS, down 12.9% on the same period last season with losses primarily to milk brokers in a highly competitive milk supply market.

Outlook

NZD per kgMS 5.40–6.90

Forecast Farmgate Milk Price for the 2020/21 season

1,525M kgMS

Forecast milk collection for the 2020/21 season

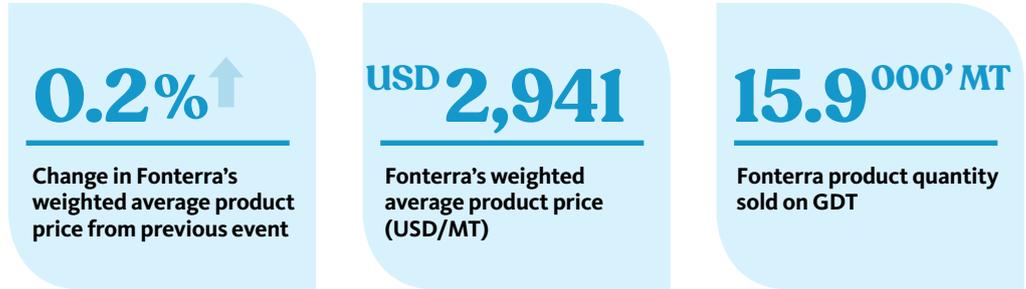
The inclusion of off-GDT sales contributed 11 cents per kgMS to the Milk Price for the season to 30 April 2020.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event
19 May 2020:



SMP



AMF



BUTTER



RENNET CASEIN



WMP



CHEDDAR

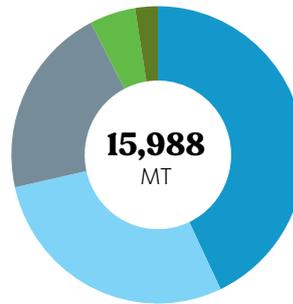


Fonterra GDT sales by destination:

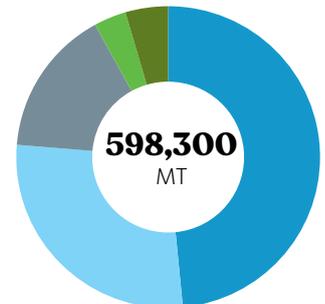
To view more information, including a snapshot of the rolling year-to-date results –



LATEST AUCTION



FINANCIAL YEAR-TO-DATE

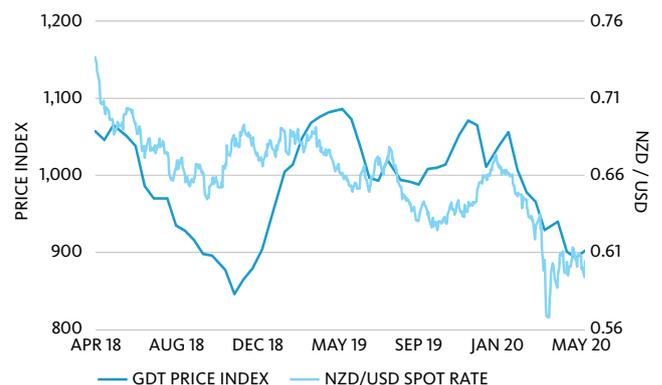


▶ The next trading event will be held on 2 June 2020. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The promise of strong fiscal spending by governments to help cushion the economic effects stemming from COVID-19, combined with swift monetary policy actions from central banks, helped to produce a calming effect within financial markets. Following the heightened

levels of volatility witnessed in March, the New Zealand dollar has since displayed relative stability around 60 US cents.





2020 Fonterra Dairy Woman of the Year



Ash-Leigh Campbell
2020 Fonterra Dairy Woman of the Year



Tania Burrows
Dairy Women's Network Regional Leader of the Year

Ngāi Tahu Farm Manager Ash-Leigh Campbell has been named as the recipient of the 2020 Fonterra Dairy Woman of the Year award.

The prestigious award was announced during the Dairy Women's Network online conference on Wednesday 6 May.

The other finalists were Auckland based microbiologist and biochemist Natasha Maguire and West Coast dairy farmer Heather McKay.

After leaving high school Ash-Leigh studied at Lincoln University doing diplomas in Agriculture and Farm Management and a degree in Commerce with a major in agriculture.

The 28-year-old is originally from Christchurch and has been working for Ngāi Tahu's South Island farming operation for more than three years. As Farming Technical Farm Manager, she is responsible for assisting with the management and performance of eight dairy and dairy support farms that include 8,000 cows.

She also assists with operational and environmental performance (audit and compliance), analytical projects and the implementation and improvement of sustainable farming practices. She is also Chair of the New Zealand Young Farmers Board and a previous Ahuwhenua Young Māori Farmer Award finalist.

Ash-Leigh says winning the Fonterra Dairy Woman of the Year award was "amazing recognition" of just how far she had come in the industry.

"The opportunities Fonterra and Dairy Women's Network have provided have given me the confidence to step out and grow in the industry in 10 short years."

"I've been bold, I've been brave, and I hope this journey I've been on can showcase to other young wahine that anything is achievable."

Fonterra Chief Executive Miles Hurrell says the Co-op is proud to recognise and help develop women in dairying who set high standards for themselves and for our industry.

"I want to congratulate Ash-Leigh for winning this award and also the two other finalists. They are all outstanding ambassadors for our industry and are contributing to the pathways that will enable the next generation of farmers to succeed.

"Ash-Leigh's commitment to sustainable farming and environmental protection is clear to see, and makes a real and positive difference in her local community and our industry."

Dairy Women's Network Trustee, who heads up the judging panel, Alison Gibb said all three women contributed to the dairy industry in very different ways, highlighting the depth and diversity of how women are contributing to the dairy industry in New Zealand.

"Ash-Leigh exudes energy and passion for the dairy industry and has actively sought opportunities to both contribute and grow in an industry she loves."

As Fonterra Dairy Woman of the Year, Ash-Leigh receives a scholarship prize of up to \$20,000 to undertake a professional business development programme, sponsored by Fonterra.

The other award presented at the online conference was the inaugural Dairy Women's Network Regional Leader of the Year award.

Four finalists were chosen from the more than 70 volunteer Regional Leaders and the winner was Tania Burrows. Tania is married to John, is a mother to three outgoing girls, and lower order share-milker in mid-Canterbury, farming 2,000 head of stock between their dairy farm and run off block with four to seven team members on farm each season.

She began her leadership journey as an early childhood teacher, progressing to management roles where she was responsible for up to 150 children, their families and a team of seven teaching staff.

Tania receives registration for the New Zealand Women's Leadership Symposium in Auckland in late September that includes travel and accommodation and two mentoring sessions to support her on her leadership journey or goals.

The three other finalists were Northland farmer Sue Skelton, Jessica Goodwright, who is share-milking in central Southland, and north Canterbury contract milker Rebecca Green.



Fonterra employee named New Zealand's 2020 Champion Cheese-maker

There was great recognition for our farmers' top-quality milk and our Co-op's cheese-making expertise at the 2020 New Zealand Champions of Cheese Awards.

One of the highlights was Lichfield's Brine Salt Cheese Process Project Manager Sam Pokaitara winning the New Zealand Champion Cheese-maker title, receiving the highest aggregate score across the three cheeses he entered in for judging.

The awards are organised by the New Zealand Specialist Cheese-makers Association (NZSCA), and the cheeses were judged at the end of February in a pre-COVID-19 environment.

Sam thought his colleague, Iain O'Donnell, was pulling a prank on him when he received a message from Iain saying he'd won.

"I didn't believe him since we take the mickey all the time! When I found out it was true, I had a big grin on my face.

"Everyone on site has been calling me 'champ' – I don't think I'm going to live this down!"

Sam has been working for the Co-op for 15 years,

primarily in cheese, and has developed a strong passion for making it.

As a process manager, Sam is responsible for the cheese manufacturing process from start to finish – from ordering ingredients and getting the milk on-site, to managing the recipes and troubleshooting to streamline the process.

We make specialty cheese on a commodity scale, so every single block is top quality.

"At the brine salt cheese plant, it's a highly mechanical process with thousands of moving parts. I love that it's a different challenge every year!"

While work has been a bit different since COVID-19 came around, Sam has enjoyed being on site.

"You get cabin fever being at home, so it's great to see different faces aside from who's in your bubble."

Sam says the secret to making the best cheese is top quality milk and experienced operators.

"Manufacturing world class cheese is only possible with the best quality milk from the mighty Waikato, and

good operators who know what they're doing."

Sam's win wasn't the only highlight for our Co-op on the night. Fonterra products claimed six other categories while the icing on the cake was Kāpiti's Awa Blue picking up the evening's Supreme Award, the Champion of Champions (Commercial Cheese) prize, possibly the first time our Co-op has taken out this prestigious title.

Our Co-op's other winners were:

- Champion Original Cheese – Kāpiti Awa Blue
- Champion Fresh Unripened Cheese – Anchor Food Professionals Cream Cheese
- Champion Retail Cheddar Cheese – Kāpiti Tuteremoana Te Tihi Aged Cheddar
- Champion Bulk Cheddar Cheese – Fonterra Stirling NZMP Mild Cheddar
- Champion Export Cheese – Fonterra Lichfield NZMP 3MC
- Innovative Packaging Champion Butter – Mainland Semi-Soft Butter.

Supplementary Information

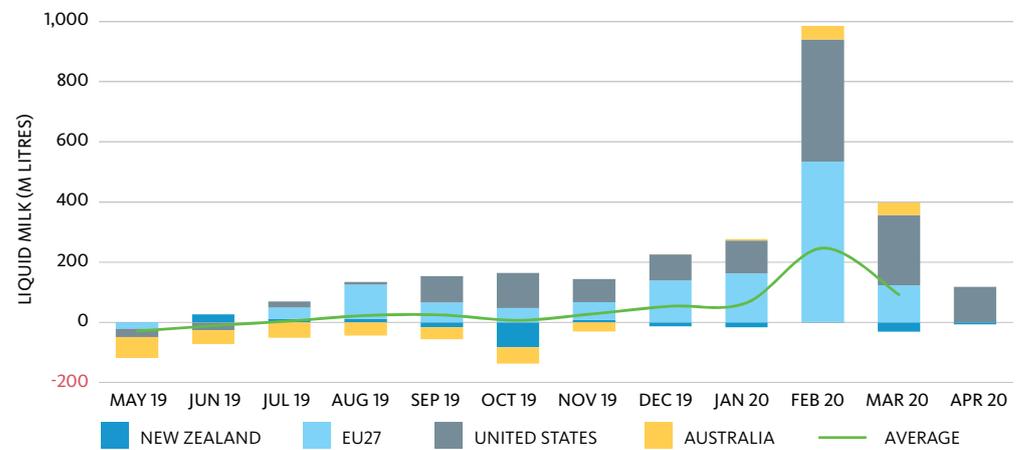
Global Dairy Market

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.

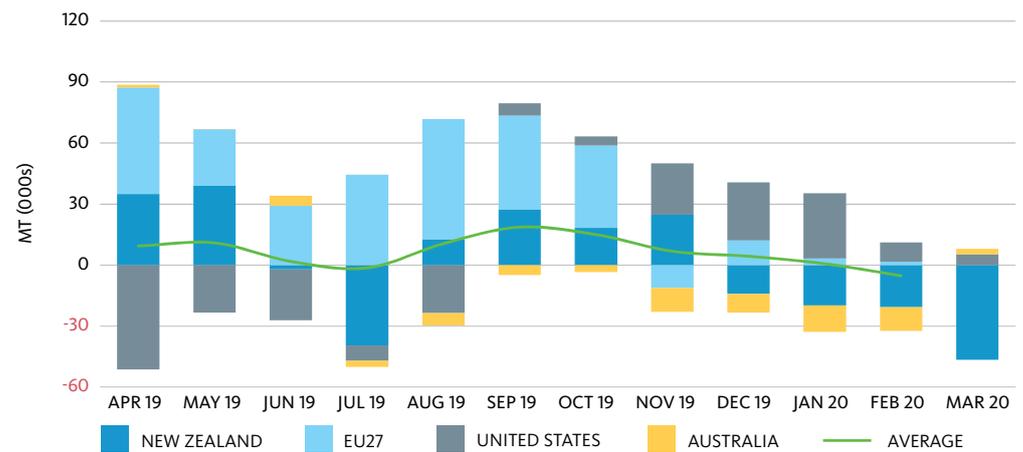
Averages are shown where data is complete for the regions presented.

PRODUCTION



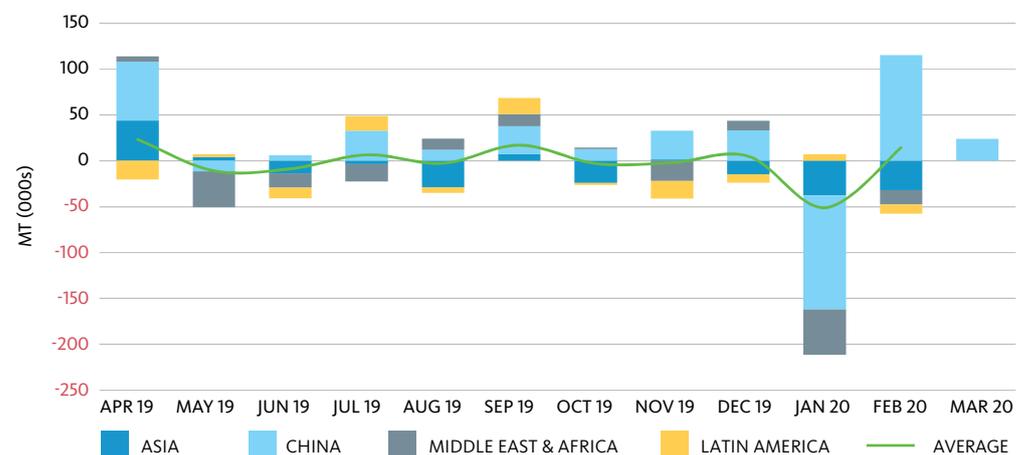
NOTE: Data for EU and Australia to March; New Zealand and US to April.

EXPORTS



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

IMPORTS



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

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)	APRIL 2020	APRIL 2019	MONTHLY CHANGE	SEASON-TO-DATE 2019/20	SEASON-TO-DATE 2018/19	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	106.3	109.1	(2.6%)	1,447.2	1,454.3	(0.5%)
North Island	51.0	56.7	(9.9%)	844.6	862.2	(2.0%)
South Island	55.3	52.4	5.4%	602.6	592.1	1.8%
Fonterra Australia	7.9	7.9	0.6%	93.2	107.0	(12.9%)

Fonterra GDT results

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

	LAST TRADING EVENT (19 MAY 2020)	YEAR-TO-DATE (FROM 1 AUGUST 2019)
Quantity Sold on GDT (Winning MT)	15,988	598,300
Change in Quantity Sold on GDT over same period last year	8.1%	2.1%
Weighted Average Product Price (USD/MT)	2,941	3,292
Change in Weighted Average Product Price over same period last year	(15.6%)	7.3%
Change in Weighted Average Product Price from previous event	0.2%	-

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