



JUNE 2020

Global Dairy UPDATE



- New Zealand ends season with increased monthly production. Australia's recent production improvement continues. EU production growth slows and US declines.



- New Zealand monthly exports decline and Australia exports soften. Monthly increase from US and EU.



- Latin America, Asia and Middle East and Africa imports have strong decline. China monthly imports soften.



- Fonterra's New Zealand milk collection for the season ended 31 May 2020 was 1,517 million kgMS, down 0.4% on prior season.
- Fonterra Australia milk collection decreased 12.4% to 101 million kgMS for the season to 31 May 2020.

- Home shopping promotion nets big gains in South Korea.



- Dr Jeremy Hill awarded Queen's Birthday honours.

Key Dates

31 July 2020
End of Financial Year 2020

September 2020
FY20 Annual Results
Announcement

20 April 2021
Compliance Date for
2020/21 Season





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

New Zealand ends season with increased monthly production. Australia's recent production improvement continues. EU production growth slows and US declines

NEW ZEALAND

4.3%↑

Change for May 2020 compared to May 2019

0.4%↓

Change for the 12 months to May 2020

New Zealand milk production¹ increased 4.3% on a litres basis (up 3.8% on milk solids basis) in May compared to May last year.

Following months of drought and lower milk production, May production improved on the back of more favourable weather conditions.

Full season New Zealand milk production for the 12 months to May was 0.4% lower than last year.

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

AUSTRALIA

6.4%↑

Change for April 2020 compared to April 2019

2.3%↓

Change for the 12 months to April 2020

Australia milk production increased 6.4% in April compared to April last year.

Better seasonal conditions and improved farmer confidence contributed to the continuing production recovery in the second part of the season, especially in Victoria and Tasmania.

Production for the 12 months to April was down 2.3% on the previous 12 months.

Dairy Australia has moderated its outlook for 2019–20 production upwards, to a drop of just 1–3% on last year.

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

EUROPEAN UNION/UK

0.2%↑

Change for April 2020 compared to April 2019

0.9%↑

Change for the 12 months to April 2020

EU (including UK) milk production increased by 0.2% in April compared to the same period last year.

The main production regions showed slower growth. Increases can be seen in Ireland (up 3.5%), Spain (2.3%) and the Netherlands (1.7%), but largely offset by a sharp drop in Italy (down 2.1%) and the UK (1.6%).

EU milk production for the 12 months to April was up by 0.9% compared to the same period last year.

USA

1.1%↓

Change for May 2020 compared to May 2019

1.2%↑

Change for the 12 months to May 2020

US milk production decreased by 1.1% in May, compared to the same period last year.

US milk production declined year-on-year for the month of May, as production restriction programmes were put in place. Reduced rations, lower frequency of milking and, to a lesser extent, cow culling were observed to reduce output.

Milk production for the 12 months to May was 1.2% 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 and Australia exports soften. Monthly increase from US and EU

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

NEW ZEALAND

4.4%↓

Change for April 2020 compared to April 2019

1.0%↓

Change for the 12 months to April 2020

Total New Zealand dairy exports decreased by 4.4%, or 13,444 MT, in April compared to the same period last year, albeit to a lesser extent than last month.

This was primarily driven by decreased demand for cheese (down 6,288 MT) to China and Japan, butter to Egypt and Australia (down 4,196 MT) and fluid milk products to Taiwan and the Philippines (down 2,890 MT).

Exports for the 12 months to April were down by 1.0%, or 34,427 MT, on the previous comparable period. This was primarily driven by butter and AMF.

AUSTRALIA

1.9%↑

Change for April 2020 compared to April 2019

7.1%↓

Change for the 12 months to April 2020

Australia dairy exports increased by 1.9%, or 1,244 MT, in April compared to the same period last year. This was primarily driven by fluid milk products and SMP, up a combined 4,311 MT, but partially offset by lower demand for cheese, down 1,807 MT.

Exports for the 12 months to April were down 7.1%, or 55,677 MT, on the previous comparable period.

Declines were recorded across a broad range of products with SMP, infant formula, whey, cheese, butter and WMP down 81,330 MT and partially offset by fluid milk products, up 29,922 MT.

EUROPEAN UNION/UK

2.3%↑

Change for March 2020 compared to March 2019

5.8%↑

Change for the 12 months to March 2020

EU (including UK) dairy exports increased by 2.3%, or 11,667 MT, in March compared to the same period last year. This was mainly driven by increased whey to China, butter and cheese to the US, up a combined 29,317 MT, and partially offset by a decrease in SMP exports to China, Egypt and Asia of 24,496 MT.

Exports for the 12 months to March were up 5.8%, or 317,396 MT, on the previous comparable period. Fluid milk products, butter and cheese were the main drivers of this growth, up a combined 248,922 MT.

USA

7.1%↑

Change for April 2020 compared to April 2019

2.1%↑

Change for the 12 months to April 2020

US dairy exports increased 7.1%, or 13,584 MT, in April compared to the same period last year, bouncing back from the past two months.

Exports increased to South East Asia and China offsetting a drop in exports to Mexico on the back of a lower peso and weaker Mexican economy. The increase was driven by SMP, WPC and lactose, up a combined 17,410 MT, partially offset by lower exports of cheese, down 6,157 MT.

Exports for the 12 months to April 2020 were up 2.1%, or 48,569 MT on the previous comparable period driven by SMP, WPC and lactose, up a combined 95,297 MT and partially offset by decreases in whey, down 40,451 MT.



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

Latin America, Asia and Middle East and Africa imports have strong decline. China monthly imports soften

LATIN AMERICA

10.9%↓

Change for March 2020 compared to March 2019

2.8%↓

Change for the 12 months to March 2020

Latin America dairy import volumes¹ decreased 10.9%, or 18,209 MT, in March compared to the same period last year. This was driven by continued lower demand for SMP from Mexico, and for WMP from Cuba, Brazil and El Salvador, down a combined 17,287 MT.

Imports for the 12 months to March 2020 were down 2.8%, or 54,407 MT, compared to the same period the previous year.

Decreases were driven primarily by WMP, infant formula, whey and SMP, down a combined 81,415 MT but largely offset by increases in WPC, up 18,957 MT.

ASIA

11.2%↓

Change for March 2020 compared to March 2019

2.9%↓

Change for the 12 months to March 2020

Asia (excluding China) dairy import volumes¹ decreased 11.2% or 51,626 MT, in March compared to March last year. Decreases were recorded primarily in SMP to the Philippines, Pakistan and Bangladesh, fluid milk products to the Philippines and WMP to Sri Lanka and Hong Kong, down a combined 48,031 MT.

Imports for the 12 months to March were down 2.9%, or 139,989 MT, compared to the same period the previous year.

Decreases were recorded across SMP, WMP, fluid products and whey, down a combined 149,494 MT, offset by increased cheese and lactose, up 29,155 MT.

MIDDLE EAST & AFRICA

11.7%↓

Change for March 2020 compared to March 2019

3.5%↓

Change for the 12 months to March 2020

Middle East and Africa dairy import volumes¹ decreased 11.7%, or 46,431 MT, in March 2020 compared to the same period last year. Decreases were recorded principally in fluid milk product to Libya, infant formula to Nigeria and butter to Turkey, down a combined 44,422 MT.

Imports for the 12 months to March 2020 were down 3.5%, or 143,989 MT, compared to the same period last year. This was driven by large decreases in fluid milk products and WMP, down a combined 154,634 MT.

CHINA

2.1%↑

Change for April 2020 compared to April 2019

5.6%↑

Change for the 12 months to April 2020

China dairy import volumes increased by 2.1%, or 5,584 MT, in April compared to the same period last year. The sharp increase in year-on-year imports seen in March has eased.

The increase was the result of higher volumes of WMP, whey, and infant formula, up a combined 20,060 MT, and partially offset by a decrease in fluid milk products of 11,307 MT.

Imports for the 12 months to April were up 5.6%, driven by fluid milk products and WMP.

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

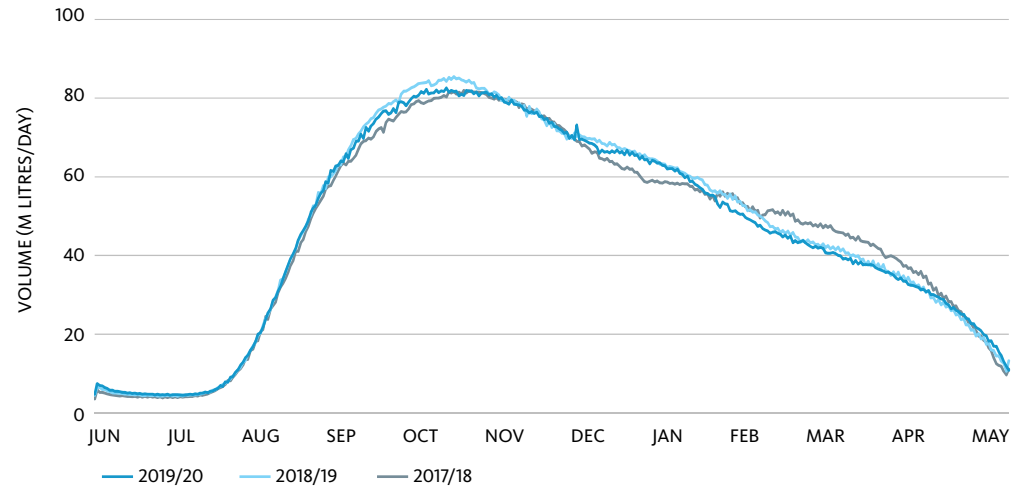
OUR MARKETS

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

2.1%↑

Change for May 2020 compared to May 2019

0.4%↓

For the 2019/20 Season compared to the previous season

Fonterra's New Zealand collection for the 2019/20 season was 1,517 million kgMS, down 0.4% on last season.

Fonterra's collection in May, was 69.9 million kgMS, up 2.1% on the same month last season. May brought rain across the country, with some of the heavier falls across northern areas where it was very dry.

Forecast milk collection for the 2020/21 season is 1,525 million kgMS.

NORTH ISLAND

3.5%↓

Change for May 2020 compared to May 2019

2.1%↓

For the 2019/20 Season compared to the previous season

North Island milk collection partially recovered in May relative to past months as weather conditions became more favourable and drought conditions eased, ending at 30 million kgMS, down 3.5% on last May.

Full season collection for the North Island was 874.6 million kgMS, down 2.1% on last season.

SOUTH ISLAND

6.9%↑

Change for May 2020 compared to May 2019

2.1%↑

For the 2019/20 Season compared to the previous season

South Island milk collection in May was 39.9 million kgMS, up 6.9% on last May, with good conditions through much of the month.

Full season collection for the South Island was 642.5 million kgMS, up 2.1% on last season.

AUSTRALIA

5.3%↓

Change for May 2020 compared to May 2019

12.4%↓

Season to date 1 July to 31 May

Fonterra's Australia collection in May was 7.7 million kgMS, a 5.3% decrease on May last year. For the month, farm milk collection was up on last year, while third-party milk was down.

Season-to-date collection reached 100.9 million kgMS, down 12.4% on the same period last season. Fonterra milk collections have been impacted by the highly competitive milk supply market which has seen losses primarily to milk brokers. Fonterra Australia has also made a conscious decision to purchase less third-party milk to focus on a value-add product mix.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at
last trading event
16 June 2020:

2.7%↑

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

USD 3,009

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

20.7⁰⁰⁰' MT

Fonterra product quantity
sold on GDT

SMP

3.9%↑

USD 2,629/MT

CHEDDAR

3.1%↑

USD 3,631/MT

WMP

2.5%↑

USD 2,829/MT

AMF

0.8%↑

USD 3,993/MT

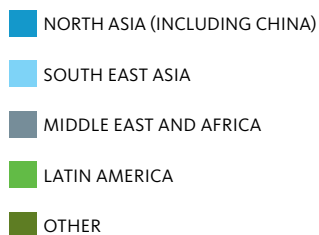
BUTTER

0.9%↓

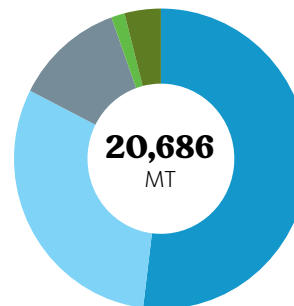
USD 3,597/MT

Fonterra GDT sales
by destination:

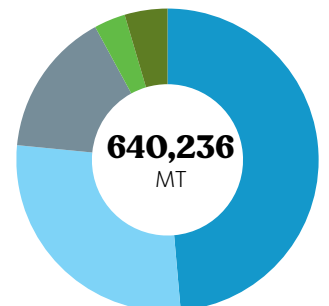
To view more information,
including a snapshot of the
rolling year-to-date results –



LATEST AUCTION



**FINANCIAL
YEAR-TO-DATE**



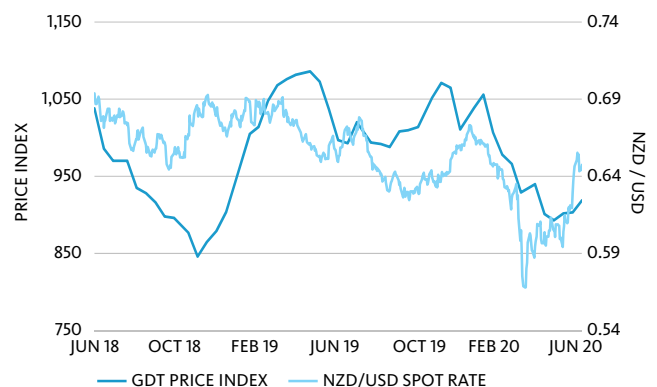
► The next trading event will be held on 7 July 2020. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Indicators of global and domestic economic activity started to show improvement by late May, and into June, as many nations moved to relax their COVID-19 lock-down measures.

Financial markets were encouraged that the worst

of the economic shock may be behind us – the New Zealand dollar peaked above 65 US cents on this more sanguine outlook.



Our Performance



Home Shopping promotion nets big gains in South Korea

A Daesang campaign supported by Fonterra Medical and Healthy Aging Functional Nutrition Unit has scored US\$1 million in sales in just 60 minutes on a home shopping TV channel... and there's more to come.

50,000 cans sold out at a rate of around US\$17,000 a minute and the TV session broke a sales record.

The product is called Pasture Raised/Grass fed Protein.

This was the first time New Zealand provenance

was put on centre stage on the prime time home shopping channel (Lotte) and three key value propositions in Grass Fed, Made with NZMP and Made with NZ Dairy captured the South Korean audience.

As a result of the successful promotion our customer, Daesang, will do more Home Shopping segments and increase their offline and online channel presence.

Daesang is one of the leading producers of dairy nutrition products in

South Korea. They have been happy to promote our concept formulation in their own Ready To Mix powdered beverage.

A lot of people think home shopping is really old-fashioned, but in countries like South Korea it's still very popular. It's a fast-moving platform, with products ordered arriving on the same day. With 87 reviews on the product, the current rating is 97 out of 100 based on price, taste, packaging and delivery.





Dr Jeremy Hill awarded Queen's Birthday honours



When Fonterra's Chief Science & Technology Officer, Dr Jeremy Hill heard he was being recognised on the Queen's Birthday Honours list, he didn't quite believe it.

"It was a shock at first, it's not something you usually consider. To be one of the lucky few recognised is truly an honour and my family is very proud," says Jeremy, who has been made a Member of the New Zealand Order of Merit for services to the dairy industry and scientific research.

"It was a nice piece of news to share with my parents who live in the UK. It was a real boost for them, and Mum was especially chuffed. I don't think there is a neighbour on her street that she hasn't already told!"

Starting his PHD in medical research at Hull University in the 1980s, Jeremy was keen to travel and learn so he jumped at the opportunity to study at Massey University in Palmerston North.

This role opened doors, but it was only the start. He was studying liver function at the time, directly across the road from the Dairy Research Institute.

One morning over a cup of tea, a director of the Dairy Research Institute offered Jeremy a job.

"I will never forget it, someone said to me that I should start turning right instead of left in the morning.

"I thought I would go over

for a couple of years... fast forward and it's now been over 30 years working in dairy."

That decision to turn right and take on the research role led Jeremy down a path to being internationally recognised for his work in dairy science, sustainability and nutrition.

In 2007, Jeremy was appointed Fonterra's Chief Science and Technology Officer, where he works across process and product development, food assurance and regulatory, among other areas.

"It has always been satisfying to work on challenging scientific problems that can make a big difference to the business and our customers."

A highlight of his career has been working with universities, science and government sectors, including his involvement in New Zealand's single biggest Research and Development programme, the Transformational Dairy Platform – a joint industry and Government funded programme under the Primary Growth partnership that has helped commercialise a significant number of Fonterra's leading products and technologies.

He has also been the only New Zealander to hold the positions of President and Chair of the International Dairy Federation (IDF) in its 117-year history.

"I was very proud of my time with IDF, from being made an honouree life member

through to brokering the FAO/Global Dairy Industry Declaration of Rotterdam in 2016."

This was essentially a blueprint for sustainable, environmentally aware future dairy production and nutrition.

Appointed in 2018 as the Adjunct Professor, Sustainable Nutrition, Riddet Institute, Massey University, Jeremy is passionate about dairy innovation.

"A real theme to my work is researching the true facts. From nutrition and the role dairy plays, and how our Co-operative is a leader in this, through to helping with our carbon footprint."

Providing support and advice over the years, he loves the varied and fulfilling role he has within the Co-op.

"I have the best job in our Co-op, I really think I do," but he adds it would be nothing without the support from his family and the people that have worked alongside him.

"It has been humbling to receive well wishes, from people in the government and ag sector, as well my colleagues within the Co-op.

"I've come to reflect on the connections I have made here in New Zealand and across the globe. I've been fortunate to work alongside talented people."

Jeremy is excited to continue contributing to dairy innovation and the scientific research that really matters and is still publishing two to three pieces a year.

Supplementary Information

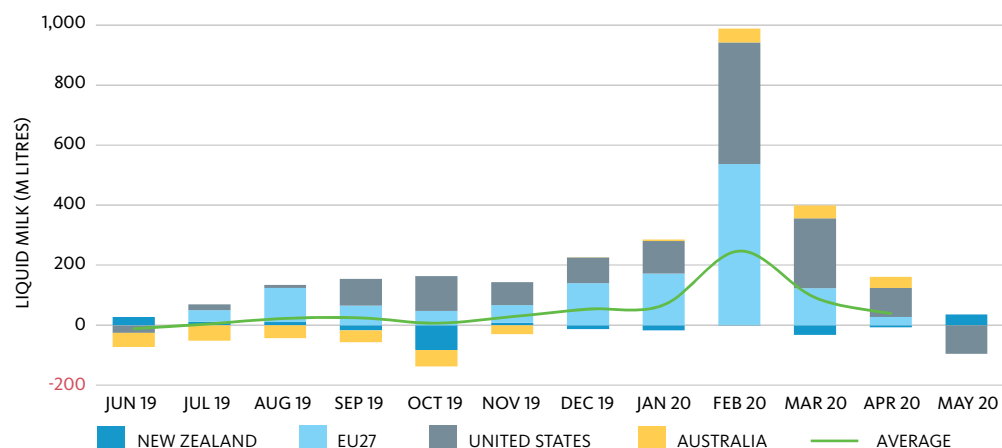
Global Dairy Market

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.

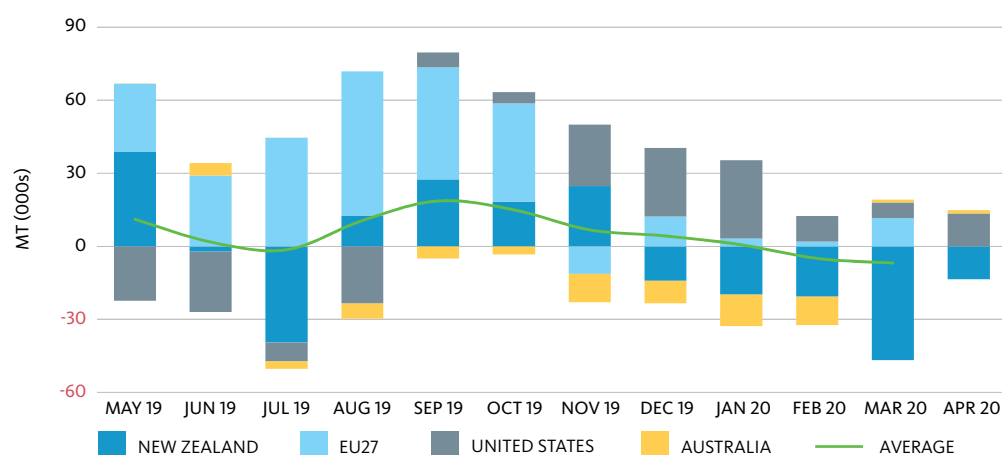
Averages are shown where data is complete for the regions presented.

PRODUCTION



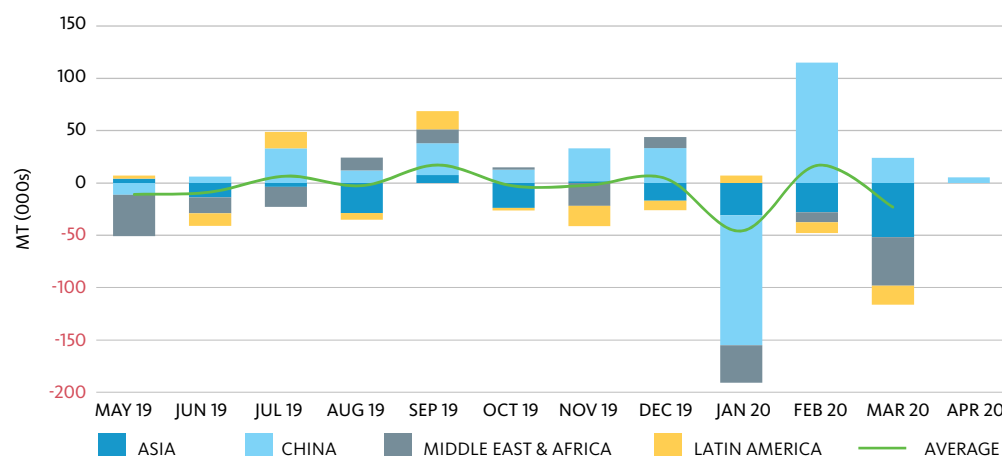
NOTE: Data for EU and Australia to April; New Zealand and US to May.

EXPORTS



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

IMPORTS



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

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)	MAY 2020	MAY 2019	MONTHLY CHANGE	SEASON- TO-DATE 2019/20	SEASON- TO-DATE 2018/19	SEASON- TO-DATE CHANGE
Total Fonterra New Zealand	69.9	68.4	2.1%	1,517.1	1,522.7	(0.4%)
North Island	30.0	31.1	(3.5%)	874.6	893.3	(2.1%)
South Island	39.9	37.3	6.9%	642.5	629.5	2.1%
Fonterra Australia	7.7	8.2	5.3%	100.9	115.2	(12.4%)

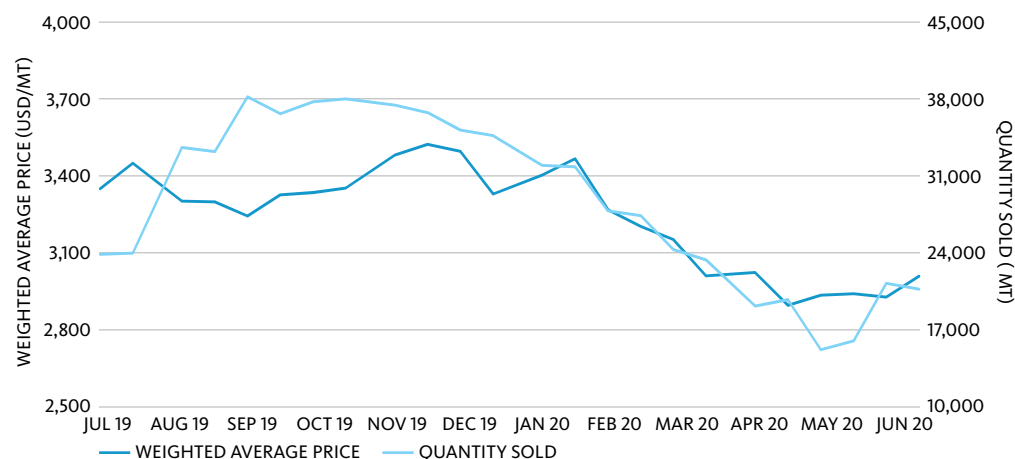
Fonterra GDT results

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

	LAST TRADING EVENT (16 JUNE 2020)	YEAR-TO-DATE (FROM 1 AUGUST 2019)
Quantity Sold on GDT (Winning MT)	20,686	640,236
Change in Quantity Sold on GDT over same period last year	(12.5%)	1.9%
Weighted Average Product Price (USD/MT)	3,009	3,271
Change in Weighted Average Product Price over same period last year	(8.3%)	5.9%
Change in Weighted Average Product Price from previous event	2.7%	–

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