OCTOBER 2021

Global Dairy UPDATE

Our Markets

- Lower volumes in New Zealand and Australia. US monthly production flat.

- New Zealand exports up, Australia and US monthly exports continue to grow. EU monthly exports decline.

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

- Fonterra New Zealand milk collection in September was 173 million kgMS, down 3.8% on the prior season.
- Fonterra Australia milk collection for September was 10.4 million kgMS, down 4.3% on last season.

Our Performance

- Fonterra's foodservice business hits $3 billion in annualised revenue.

Our Co-op

- Women taking the wheel.

Key Dates

3 December 2021
FY22 Q1 Business Update

9 December 2021
Fonterra Co-operative Group Annual Meeting

13 December 2021
Fonterra Shareholders' Fund Annual Meeting

Global Production

Lower volumes in New Zealand and Australia. US monthly production flat

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

CLICK HERE

NEW ZEALAND

4.3% ↓
Change for September 2021 compared to September 2020

1.3% ↑
Change for the 12 months to September 2021

New Zealand milk production[1] decreased 4.3% on a litres basis (down 4.0% on a milk solids basis) in September compared to September last year

A colder and wetter start to spring this season compared to last September is impacting production volumes.

New Zealand milk production for the 12 months to September was 1.3% higher on a litres and milk solids basis than last year.

Fonterra New Zealand collections are reported for September, see page 5 for details.

AUSTRALIA

3.7% ↓
Change for August 2021 compared to August 2020

0.2% ↓
Change for the 12 months to August 2021

Australia milk production decreased 3.7% in August compared to August last year.

Wetter, and cooler than average conditions as well as lower herd numbers, farm sales and labour shortages are impacting total Australian milk production.

Australia milk production for the 12 months to August was 0.2% lower than last year.

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

EUROPEAN UNION

1.2% ↑
Change for August 2021 compared to August 2020

0.3% ↑
Change for the 12 months to August 2021

EU milk production[2] increased 1.2% in August compared to the same period last year.

Higher production volumes were driven by Italy, Ireland and France, and partially offset by lower volumes in Germany and the Netherlands.

EU milk production for the 12 months to August was up 0.3% compared to the same period last year, driven by higher volumes across several countries including Ireland, Italy and Poland.

USA

0.2% ↑
Change for September 2021 compared to September 2020

2.1% ↑
Change for the 12 months to September 2021

US milk production was relatively flat, with an increase of 0.2% in September, compared to the same period last year.

Production growth has continued to slow in September for the second consecutive month. Lower milk per cow yield and herd size contractions are the result of higher feed costs and are impacting production.

Milk production for the 12 months to September was 2.1% higher compared to the same period last year.

1 New Zealand production is measured in litres.

2 Excludes UK.

Global Exports

New Zealand exports up, Australia and US monthly exports continue to grow. EU monthly exports decline

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

CLICK HERE

NEW ZEALAND

0.6% ↑
Change for September 2021 compared to September 2020

4.5% ↑
Change for the 12 months to September 2021

Total New Zealand dairy exports increased by 0.6%, or 1,190 MT, in September compared to the same period last year.

SMP export volumes to China as well as fluid milk products and MPC increased year-on-year but were partially offset by lower shipments of WMP to Sri Lanka.

Exports for the 12 months to September were up by 4.5%, or 155,560 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products and cheese.

AUSTRALIA

17.3% ↑
Change for August 2021 compared to August 2020

12.0% ↑
Change for the 12 months to August 2021

Australia dairy exports increased 17.3%, or 11,259 MT, in August compared to the same period last year.

Sustained high demand for fluid milk products and SMP in China is driving this increase.

Exports for the 12 months to August were up 12.0%, or 88,201 MT, on the previous comparable period.

This was predominantly driven by increases in fluid milk products, SMP and WMP but partially offset by declines in infant formula.

EUROPEAN UNION

8.5% ↓
Change for August 2021 compared to August 2020

1.5% ↓
Change for the 12 months to August 2021

EU dairy exports decreased 8.5%, or 48,256 MT, in August compared to the same period last year.

August exports reflected lower sales of cheese, cultured products, ice cream and infant formula, down a combined 49,840 MT.

Exports for the 12 months to August were down 1.5%, or 105,939 MT, on the previous comparable period. Infant formula, cultured products, butter and SMP were the main drivers of this decline but partially offset by an increase in fluid milk products.

USA

12.9% ↑
Change for August 2021 compared to August 2020

8.7% ↑
Change for the 12 months to August 2021

US dairy exports increased 12.9%, or 27,503 MT, in August compared to the same period last year.

Strong demand for SMP and cheese in Mexico as well as whey to China was observed and driving this increase.

Exports for the 12 months to August 2021 were up 8.7%, or 217,058 MT, on the previous comparable period, driven by whey, SMP, WPC and butter, up a combined 199,109 MT.

Global Imports

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

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

CLICK HERE

LATIN AMERICA

16.9% ↓
Change for July 2021 compared to July 2020

20.3% ↑
Change for the 12 months to July 2021

Latin America dairy import volumes[1] decreased 16.9%, or 31,888 MT, in July compared to the same period last year.

The decrease was driven by lower demand for WMP to Brazil and SMP in Mexico, Honduras and Colombia, down 31,929 MT.

Imports for the 12 months to July were up 20.3%, or 380,880 MT, compared to the same period last year.

ASIA

2.2% ↑
Change for July 2021 compared to July 2020

2.9% ↓
Change for the 12 months to July 2021

Asia (excluding China) dairy import volumes[1] increased 2.2%, or 9,308 MT, in July compared to the same period last year.

The increase was driven by higher demand for whey to Malaysia and Indonesia and cultured products to the Philippines, but offset by lower demand for lactose and infant formula.

Imports for the 12 months to July were down 2.9%, or 143,970 MT, compared to the same period last year driven by large volumes of WMP and SMP, and partially offset by increases in fluid milk products and cheese.

MIDDLE EAST & AFRICA

15.2% ↓
Change for July 2021 compared to July 2020

11.5 % ↑
Change for the 12 months to July 2021

Middle East and Africa dairy import volumes[1] decreased 15.2%, or 64,587 MT, in July compared to the same period last year.

The decrease was driven predominantly by lower volumes of WMP to Algeria and of WMP, SMP and infant formula to Nigeria.

Imports for the 12 months to July were up 11.5%, or 487,192 MT, compared to July last year driven by increases in cheese and infant formula and offset by decreases in WMP and fluid milk products.

CHINA

1.9% ↓
Change for September 2021 compared to September 2020

24.6% ↑
Change for the 12 months to September 2021

China dairy import volumes decreased by 1.9%, or 5,437 MT, in September compared to the same period last year following months of year-on-year growth.

Declines in infant formula, fluid milk products and SMP volumes were observed in September but largely offset by record levels of WMP, sourced primarily from New Zealand.

Imports for the 12 months to September were up 24.6%, or 825,930 MT, driven by fluid milk products, WMP, whey and SMP and partially offset by decreases in infant formula.

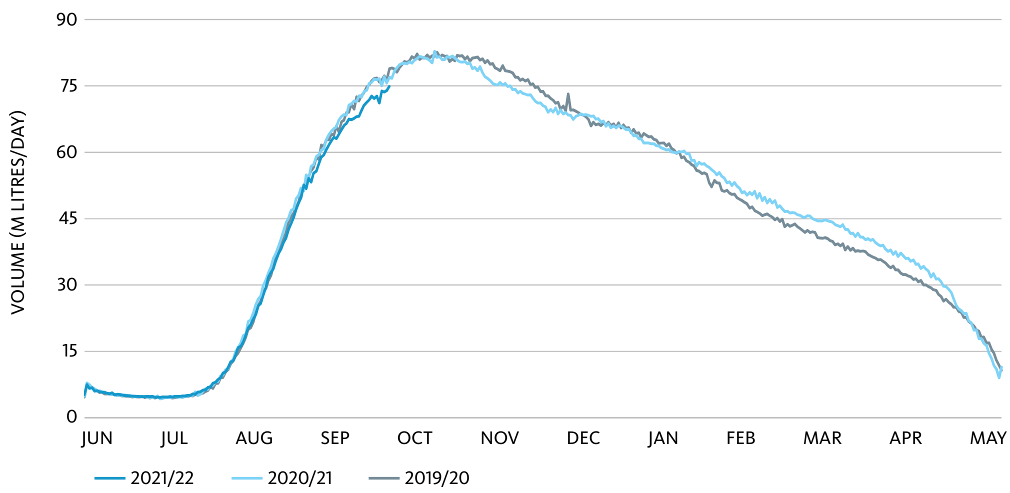
1 Estimates are included for those countries that have not reported data.

Fonterra Milk Collections

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

CLICK HERE ▶

New Zealand Milk Collection



NEW ZEALAND

3.8% ↓
Change for September 2021 compared to September 2020

3.4% ↓
Season-to-date 1 June to 30 September

Fonterra's New Zealand collections for September were 173 million kgMS, 3.8% down on last September.

Season-to-date collections were 303.9 million kgMS, 3.4% behind last season.

The country experienced generally unsettled weather throughout September. While that is broadly typical of spring, colder and wetter than average conditions for most of the country impacted milk collections for the month.

NORTH ISLAND

3.7% ↓
Change for September 2021 compared to September 2020

1.9% ↓
Season-to-date 1 June to 30 September

North Island milk collections in September were 109.3 million kgMS, 3.7% lower than September last season.

Season-to-date collections were 211 million kgMS, 1.9% behind last season.

September began with cool but settled weather across much of the North Island. A cold front in the middle of the month brought repeated bouts of rain and unseasonably low sunshine hours, slowing pasture growth and reducing milk collection volumes.

SOUTH ISLAND

4.0% ↓
Change for September 2021 compared to September 2020

6.6% ↓
Season-to-date 1 June to 30 September

South Island milk collections in September were 63.7 million kgMS, 4.0% lower than September last season.

Season-to-date collections were 92.8 million kgMS, 6.6% behind last season.

Weather varied between high- and low-pressure fronts during September. The west coast received repeated bouts of wet and windy weather, with many areas in Canterbury and Otago recording gusts over 130 kilometres per hour.

AUSTRALIA

4.3% ↓
Change for September 2021 compared to September 2020

3.6% ↓
Season-to-date 1 July to 30 September

Fonterra's Australia collections for September were 10.4 million kgMS, a 4.3% decrease on September last season.

Fonterra collections across Australia for the three months to 30 September reached 22.7 million kgMS, a 3.6% decline on last season.

Fonterra's total intake for September 2021 was down on last season due to the conscious decision to reduce third-party intake.

Fonterra Global Dairy Trade Results

Fonterra GDT results at last trading event
19 October 2021:

2.0%
Change in Fonterra's weighted average product price from previous event

USD 4,091
Fonterra's weighted average product price (USD/MT)

27.2 000' MT
Fonterra product quantity sold on GDT

BUTTER
4.8%
USD 5,111/MT

CHEDDAR
3.0%
USD 4,426/MT

AMF
2.8%
USD 6,151/MT

SMP
2.4%
USD 3,398/MT

WMP
1.4%
USD 3,803/MT

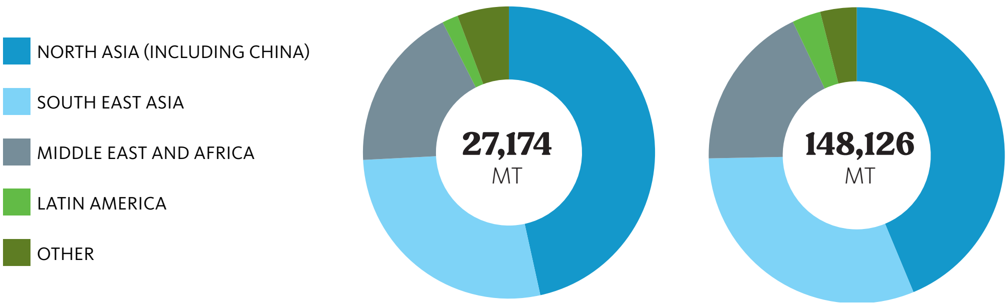
Fonterra GDT sales **by destination**:

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

CLICK HERE

LATEST AUCTION

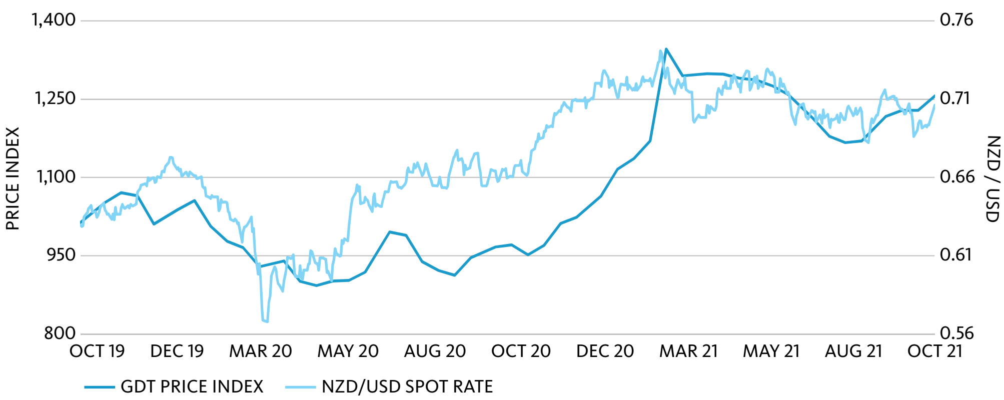
FINANCIAL YEAR-TO-DATE



The next trading event will be held on 2 November 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD appreciated during October against a backdrop of improving sentiment in global markets and broad-based USD weakness; the NZD was further supported by the first increase to the Official Cash Rate in seven years and expectations for further interest rate rises in the coming months.



Our Performance

Fonterra's foodservice business hits $3 billion in annualised revenue

Fonterra's Foodservice business, Anchor Food Professionals (AFP), has reached a milestone to become a NZ$3 billion annual revenue business.

CEO Miles Hurrell says the success is down to the Co-op's strong connection to customers who value our sustainably produced, high-quality, nutritious milk and innovative products.

"It's really pleasing to see this milestone be reached despite the impact of COVID-19 on restaurants and other out-of-home eating. Our people have worked hard to find new ways of working with customers and new product applications to suit the pandemic environment, and we can see this has been a success.

"Foodservice is a high value channel for our farmers' milk and a key part of our long-term strategy. This is why we're aiming to increase our milk solids into Foodservice by approximately 50% by 2030 and grow our presence across further markets including Greater China, South East Asia and the USA.

"To support our Co-op's growth to 2030, we intend to invest about $1 billion in moving milk into higher-value products and increase our R&D budget by 50%. These investments will enable further product innovation in the Foodservice channel, among other things, and help put us on track to meet our next Foodservice target of becoming a $5 billion annual revenue business," says Mr Hurrell.

Fonterra's Director Global Foodservice Paul Harvey says Anchor Food Professionals chefs work alongside customers in their kitchens to match their needs with our Co-op's dairy innovation expertise.

"To offer solutions we need to know what the problem is, and in many cases the issues are in the kitchen, and that's where we are spending much more time with our customers who want our help.

"We now have 55 chefs around the world who go into kitchens like this where they also help their customers design new innovative products to address their problems," Mr Harvey says.

All new products require an intimate understanding of the science behind the application in order to deliver the right functionality and performance for customers' requirements. Fonterra's Research and Development Centre (FRDC) in Palmerston North plays a pivotal role in bringing these products to life.

"Our FRDC team works closely with our chefs in our application centres and with our in-country sales and marketing people around the world, where they refine some of these innovations for a customer's specific need – often in response to new food trends.

"A good example of this is in China where over the past 12 months the team has introduced more than 100 new applications for the beverage and dining channel and demonstrated 170 new applications for our bakery customers.

"We believe innovation and new products are key to future growth and will help us build relationships with up to 40,000 new customers over the next five years, and up to 70,000 new customers in the next 10 years," Mr Harvey says.

In Greater China, Fonterra will continue to build on its success in the foodservice channel by expanding deeper into the larger cities. In South East Asia, it's applying what it's learnt from its Greater China business to customers in the region.

"In South East Asia, dairy is seen as a premium food and it also has a strong link to the growth in the consumption of Western foods.

"We are making the most of this growing demand in the region and in particular, we're doubling down on Indonesia and Malaysia where the evolution of bakeries will see us expanding our reach into more cities.

"We are also developing new products that work well in recipes chefs can use in the growing number of online bakery stores.

"In other markets like the USA, where tariff barriers make it more difficult to maximise value from our foodservice channel, we partner with our IP, like we have with one of America's dairy co-operatives, Land O'Lakes," Mr Harvey says.

Fonterra's Foodservice business started forming in 2013 with the Anchor Food Professionals brand introduced in 2014.

To view more –

CLICK HERE ▶

Women taking the wheel

Diversity is a very important part of Fonterra and the Co-op is always on the look-out for more women to get behind the wheel. Fonterra already has 66 female tanker operators in New Zealand, two in Australia and 32 women employees in National Transport and Logistics, but there's always room to improve.

“We recognise the benefits of having a diverse workforce. It's what our people deserve – diverse thinking, diverse ways of working, more opportunities for creativity and an environment that is inclusive of everyone. Diversity for National Transport means we're well rounded, have higher prospects for innovation and a greater diversity of skills,” says Kate Shirley, Fonterra HR Business Partner COO.

Debbie Harding
Red Team Manager, Pahiatua and Longburn

Debbie started as a Tanker Operator in 1996 before Kiwi Co-operative Dairy was amalgamated into Fonterra. “I drove tankers until 2018 and then became a Lead Driver, with this job I ran the shift. Then in 2020, I became a Team Manager and now I look after 55 guys and one female.”

“As far as I know I was the first female tanker driver to become permanent, the first woman permanent Lead Driver and now the first permanent Team Manager in all Transport and New Zealand-wide.”

“I'd just like to say that I am very proud of myself at what I have achieved. I would like to thank all the guys I have worked with, who accepted me as a female working in a male-dominated world. I have enjoyed every minute and still do. I know my boss is very proud of me, he encourages me all the time,” says Debbie.

Paula Crawshaw
Tanker Operator, Clandeboye

Paula is a Tanker Operator at Fonterra's Clandeboye site. “My husband has been a tanker driver with Fonterra for 17 years, so, I always had an interest in tanker driving,” says Paula. “I got my class 4 license in 2016 and started a job in 2020 driving a tanker (minus trailer) for a cheese company... a step up to Fonterra was my next goal.”

Being in a male-dominated space is nothing new to Paula, “I spent seven years as a volunteer firefighter and I ride motorbikes. I'm really happy to see Fonterra making a real effort to employ more female drivers, every workplace benefits from gender diversity”.

Hillary Moffat
Tanker Operator, Reporoa

Hillary was inspired by her late father to become a Tanker Operator and absolutely loves it.

“My heart and passion are behind the wheel of a truck and I know Fonterra are a great company to work for,” she says. “Having that passion and also the dedication to carry on the legacy of my father is what makes me love coming to work.”

Hillary says her team here at Fonterra have always been 100% supportive of her. “I can't say I've ever felt out of place, I've always felt welcome.

“Fonterra have the Kiwi attitude when it comes to its people and their families. They make you feel welcome and part of an extended family.”

For any women wanting to go for a job as a Tanker Operator, Hillary's advice is “Go for it! There is nothing stopping you. The training is amazing and you're not alone, there's always someone to help if you get stuck, it's awesome.”

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.

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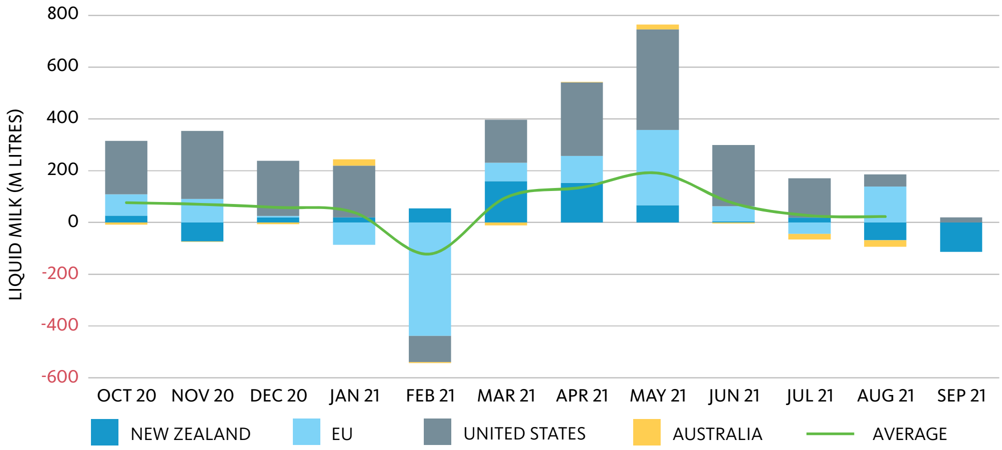
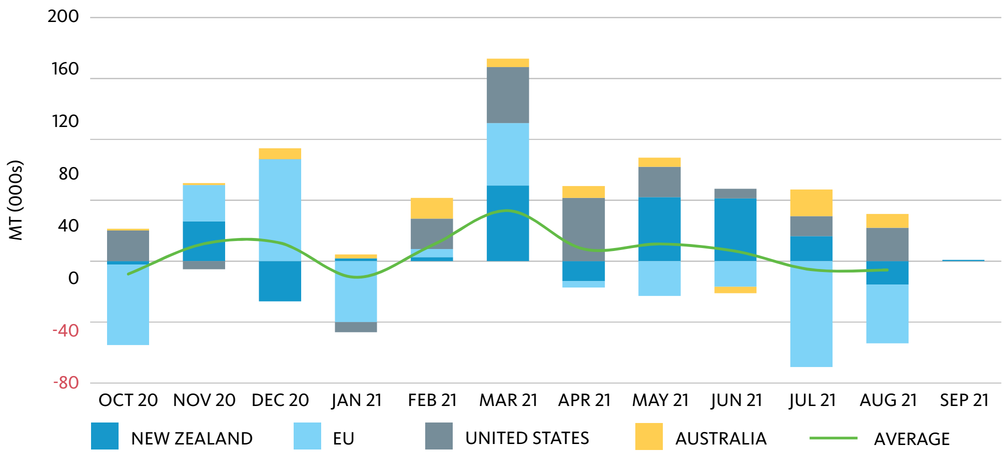
PRODUCTION



NOTE: Data for EU and Australia to August; New Zealand and US to September.

BACK TO SUMMARY

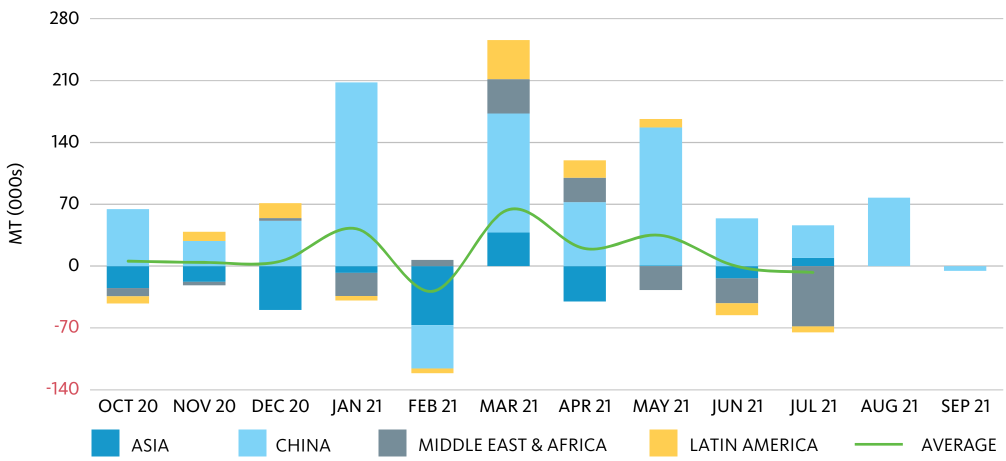
EXPORTS



NOTE: Data for EU, US and Australia to August; New Zealand to September.

BACK TO SUMMARY

IMPORTS



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

SOURCES: Government milk production statistics (DCANZ, Dairy Australia, Eurostat, USDA)/GTA 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.

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MILK COLLECTION (MILLION KGMS)	SEPTEMBER 2021	SEPTEMBER 2020	MONTHLY CHANGE	SEASON-TO-DATE 2021/22	SEASON-TO-DATE 2020/21	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	173.0	179.9	(3.8%)	303.9	314.5	(3.5%)
North Island	109.3	113.5	(3.7%)	211.0	215.1	(1.9%)
South Island	63.7	66.4	(4.0%)	92.8	99.4	(6.6%)
Australia	10.4	10.9	(4.3%)	22.7	23.2	(3.6%)

Fonterra GDT results

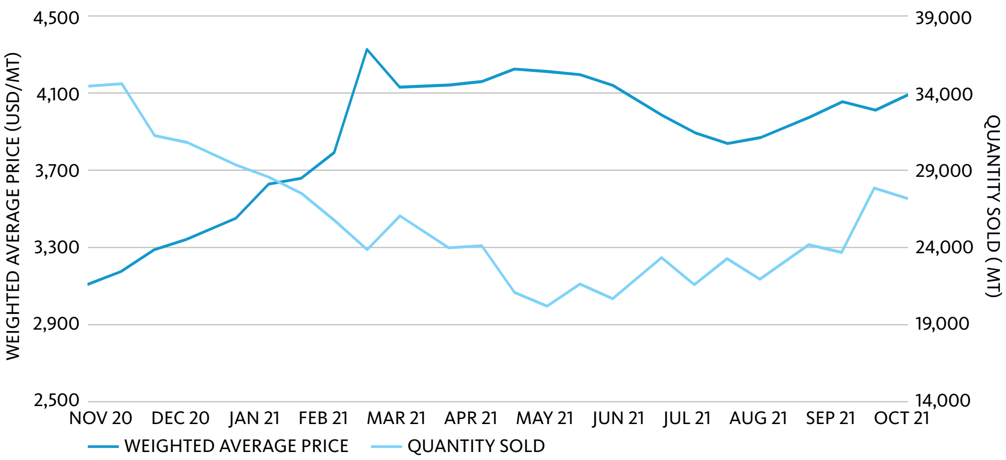
This table provides more information on the latest results, including a snapshot of the year-to-date results.

	LAST TRADING EVENT (19 OCTOBER 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	27,174	148,126
Change in Quantity Sold on GDT over same period last year	(19.9%)	(25.4%)
Weighted Average Product Price (USD/MT)	4,091	3,979
Change in Weighted Average Product Price over same period last year	28.7%	28.9%
Change in Weighted Average Product Price from previous event	2.0%	–

Fonterra GDT results

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

BACK TO SUMMARY ▶



Glossary

AMENA
Africa, Middle East, Europe, North Asia, Americas.

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.

NZMP
New Zealand Milk Products.

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.