



MARCH 2022

Global Dairy UPDATE



- Monthly production declines continue across all regions.

- NZMP's Organic Butter - Carbonzero™ Certified wins second innovation award.

- On 17 March, Fonterra announced its 2022 Interim Results.

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



- New Zealand monthly exports flat, Australia exports increase. US and EU monthly exports decline.



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



- Fonterra New Zealand milk collection for February was 126.9 million kgMS, down 7.0% on February the prior season.
- Fonterra Australia milk collection for February was 7.6 million kgMS, up 4.9% on February last season.

- Fonterra set to be home to New Zealand's first electric milk tanker.

Key Dates



May 2022
FY22 Q3 Business Update

1 June 2022
Start of the 2022/23 Season

31 July 2022
End of FY22 Financial Year



Monthly production declines continue across all regions

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

NEW ZEALAND

8.2% ↓

Change for February 2022 compared to February 2021

1.7% ↓

Change for the 12 months to February 2022

New Zealand milk production¹ decreased 8.2% on a litres basis, (down 7.2% on milk solids basis) in February compared to February the year prior. Drought conditions early in the month were replaced by mixed weather with above average rainfall. This contributed towards improved soil moisture and milk production towards the end of February. New Zealand milk production for the 12 months to February was down 1.7% on the year prior. Fonterra New Zealand collections are reported for February, see page 5 for details.

AUSTRALIA

6.3% ↓

Change for January 2022 compared to January 2021

1.7% ↓

Change for the 12 months to January 2022

Australia milk production decreased 6.3% in January compared to January the year prior. Production was impacted by summer rainfall deficits, and COVID-related labour and supply chain challenges. Australia milk production for the 12 months to January was 1.7% lower than the year prior. Dairy Australia and Rabobank have lowered their current season forecasts, Rabobank to -1.8% and Dairy Australia to “unlikely to see growth”. Fonterra collections in Australia are reported for February, see page 5 for details.

EUROPEAN UNION

1.5% ↓

Change for December 2021 compared to December 2020

0.2% ↓

Change for the 12 months to December 2021

EU milk production² decreased 1.5% in December compared to the same period the year prior. Lower production volumes year-on-year were driven by Germany, Netherlands and France but partially offset by an increase in Italy and Poland. EU milk production for the 12 months to December was down 0.2% compared to the same period the year prior, driven by declines in Germany, Netherlands and France and offset by increases in Italy and Ireland.

USA

1.0% ↓

Change for February 2022 compared to February 2021

1.0% ↑

Change for the 12 months to February 2022

US milk production decreased by 1.0% in February, compared to the same period the year prior. Smaller herd size remained a key driver of the decline year-on-year. However, compared to prior month, herd sizes grew for the first time in eight months. Milk yield per cow yield remained low as a result of high feed costs. Milk production for the 12 months to February was 1.0% higher compared to the same period the year prior.

¹ New Zealand production is measured in litres.

² Excludes UK.



New Zealand monthly exports flat, Australia exports increase. US and EU monthly exports decline

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

NEW ZEALAND

0.0%

Change for February 2022 compared to February 2021

2.1%↑

Change for the 12 months to February 2022

Total New Zealand dairy exports were flat in February compared to the same period the year prior.

Stronger shipments of SMP to South East Asia and Libya, and butter and fluid milk products to China, were observed year-on-year, but offset by lower shipments of WMP to China.

Exports for the 12 months to February were up by 2.1%, or 72,964 MT, compared to the same period the year prior. This was primarily driven by increases in fluid milk product, WMP, and cheese but partially offset by declines in AMF and infant formula.

AUSTRALIA

73.3%↑

Change for January 2022 compared to January 2021

22.2%↑

Change for the 12 months to January 2022

Australia dairy exports increased 73.3%, or 40,148 MT, in January compared to the same period the year prior.

January exports were higher than normal and driven by high demand from China for fluid milk products, and limited supply available from New Zealand, up 23,961 MT year-on-year. Increases in SMP and cheese exports were also observed.

Exports for the 12 months to January were up 22.2%, or 167,870 MT, compared to the same period the year prior.

This was predominantly driven by increases in fluid milk products, and also SMP and WMP.

EUROPEAN UNION

6.0%↓

Change for December 2021 compared to December 2020

1.3%↓

Change for the 12 months to December 2021

EU dairy exports decreased 6.0%, or 35,473 MT, in December compared to the same period the year prior.

Lower exports of cheese, SMP and cultured products, down a combined 27,747 MT, were partially offset by stronger demand for fluid milk products and MPC.

Exports for the 12 months to December were down 1.3%, or 92,805 MT, compared to the same period the year prior, driven by declines in infant formula, cultured products, WMP, SMP and partially offset by increases in fluid milk products and whey.

USA

2.9%↓

Change for January 2022 compared to January 2021

10.3%↑

Change for the 12 months to January 2022

US dairy exports decreased 2.9%, or 5,611 MT, in January compared to the same period the year prior. This is the second consecutive month of lower exports following 10 months of year-on-year gains.

Lower shipments of whey to China and SMP to Mexico were partially offset by an increase in demand for cheese to Mexico and Australia, and lactose to China and the Philippines.

Exports for the 12 months to January 2022 were up 10.3%, or 258,327 MT, compared to the same period the year prior, driven by SMP, cheese, whey, lactose, and fluid milk products, up a combined 238,541 MT.



China, Middle East and Africa, Latin America and Asia monthly imports increase

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

LATIN AMERICA

5.5%↑

Change for December 2021 compared to December 2020

3.5%↑

Change for the 12 months to December 2021

Latin America dairy import volumes¹ increased 5.5%, or 9,848 MT, in December compared to the same period the year prior.

The increase was driven by higher demand for cheese and whey to Mexico and SMP to Colombia, Honduras and Dominican Republic.

Imports for the 12 months to December were up 3.5% compared to the same period the year prior, driven by higher volumes of cheese, whey, SMP and infant formula.

ASIA

6.6%↑

Change for December 2021 compared to December 2020

0.4%↑

Change for the 12 months to December 2021

Asia (excluding China) dairy import volumes¹ increased 6.6%, or 25,808 MT, in December compared to the same period the year prior.

The increase was driven by higher demand for whey to Indonesia, SMP to Philippines and WPC to Japan.

Imports for the 12 months to December were up 0.4%, or 21,255 MT, compared to the same period the year prior, driven by higher volumes of whey, cheese and fluid milk products and partially offset by a decrease in WMP.

MIDDLE EAST & AFRICA

10.6%↑

Change for December 2021 compared to December 2020

5.6%↑

Change for the 12 months to December 2021

Middle East and Africa dairy import volumes¹ increased 10.6%, or 42,460 MT, in December compared to the same period the year prior.

The increase was predominantly driven by higher volumes of fluid milk products to Libya and Iraq, cheese to Iraq and SMP to Libya and Egypt. This was partially offset by lower demand for infant formula from Nigeria.

Imports for the 12 months to December were up 5.6%, or 270,960 MT, compared to December the year prior, driven by increases in fluid milk products, cheese and cultured products.

CHINA

3.2%↑

Change for February 2022 compared to February 2021

12.3%↑

Change for the 12 months to February 2022

China dairy import volumes increased by 3.2%, or 8,321 MT, in February compared to February the year prior.

Strong demand of WMP was observed in February and sourced from New Zealand, South America and Europe. AMF and butter imports also increased year-on-year, primarily from New Zealand. This was largely offset by a continuing weaker demand for whey.

Imports for the 12 months to February were up 12.3%, or 448,937 MT, driven by WMP, fluid milk products and SMP, partially offset by decreases in infant formula.

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

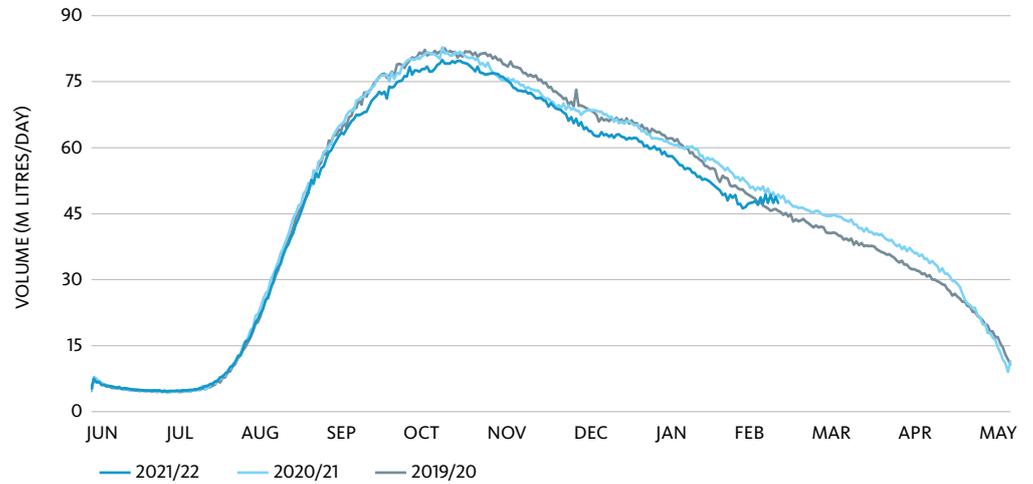
OUR MARKETS

Fonterra Milk Collections



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

New Zealand Milk Collection



NEW ZEALAND

7.0% ↓

Change for February 2022 compared to February 2021

4.0% ↓

Season-to-date 1 June to 28 February

Fonterra's New Zealand collections for February were 126.9 million kgMS, 7.0% lower than last February.

Season-to-date collections were 1,159.6 million kgMS, 4.0% behind last season.

Hot, dry weather continued into the first week of February across most of the country before being interrupted with drought-breaking rain through the middle of February. Disruptive weather, including a cyclone and flooding, impacted feed availability in many regions. Milk volumes recovered following more normal weather conditions through the second half of the month.

NORTH ISLAND

8.9% ↓

Change for February 2022 compared to February 2021

4.6% ↓

Season-to-date 1 June to 28 February

North Island milk collections in February were 67.3 million kgMS, 8.9% lower than February last season.

Season-to-date collections were 697.3 million kgMS, 4.6% behind last season.

North Island milk collections have been stronger in general throughout the back half of this month, approaching last year's favourable milk volumes on a day-to-day basis.

SOUTH ISLAND

4.8% ↓

Change for February 2022 compared to February 2021

3.1% ↓

Season-to-date 1 June to 28 February

South Island milk collections in February were 59.6 million kgMS, 4.8% lower than last February.

Season-to-date collection were 462.3 million kgMS, 3.1% behind last season.

The South Island had steep declines in milk collections throughout February. Hot, dry weather in the early period preceded unseasonable colder, wetter conditions, causing larger decreases compared to last February.

AUSTRALIA

4.9% ↑

Change for February 2022 compared to February 2021

1.1% ↓

Season-to-date 1 July to 28 February

Fonterra's Australia collections for February were 7.6 million kgMS, a 4.9% increase on February last season as both third party volumes and farm collections increased year-on-year.

The increased farm intake was predominantly due to new suppliers that have joined Fonterra this season.

Fonterra collections across Australia for the eight months for the season to date were 75.2 million kgMS, a 1.1% decline on last season.

The inclusion of off-GDT sales contributed approximately eight cents per kgMS to the Milk Price for the season to 31 January 2022.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event
15 March 2022:



AMF



SMP



CHEDDAR



BUTTER



WMP



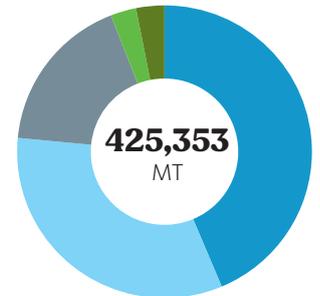
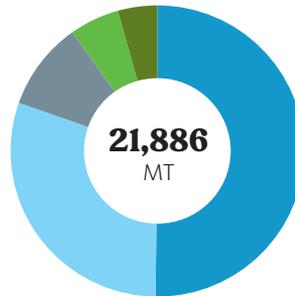
Fonterra GDT sales by destination:

LATEST AUCTION

FINANCIAL YEAR-TO-DATE

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

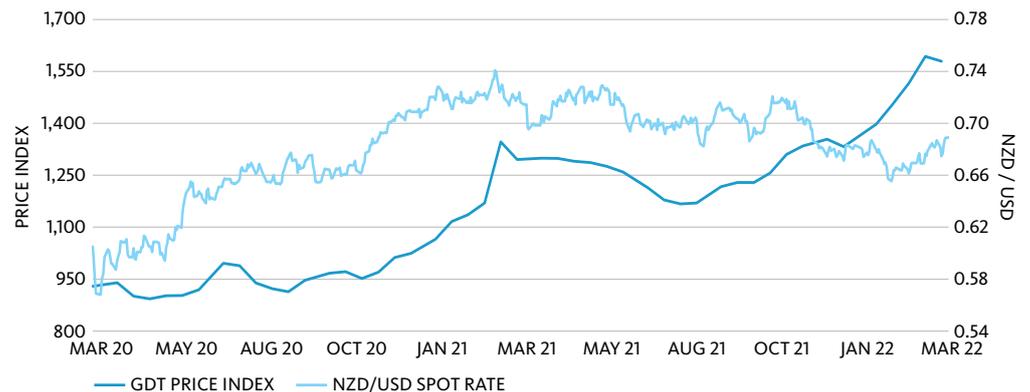
- NORTH ASIA (INCLUDING CHINA)
- SOUTH EAST ASIA
- MIDDLE EAST AND AFRICA
- LATIN AMERICA
- OTHER



► The next trading event will be held on 5 April 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

While geopolitical tensions lead to an increase in volatility across financial markets during March, the NZD strengthened mainly due to increasing interest rates and higher commodity prices – the currency rising to 69 US cents.



Our Performance



NZMP's Organic Butter - Carbonzero™ Certified wins second innovation award

Hot on the heels of winning the 'Sustainability Innovation Award' at Food Ingredients Europe 2021, NZMP's Organic Butter - Carbonzero™ Certified has won the 'Most Innovative Dairy Product Award' at the Gulfood Innovation Awards 2022.

Gulfood is the world's largest food and beverage sourcing event. It takes place annually and attracts exhibitors and visitors from around the globe.

This is the first time Fonterra has won an award at the Gulfood Innovation Awards, and our entry was judged by an industry-leading jury panel against hundreds of others from around the world.

Our submission focused on the work Fonterra is doing across the value chain when it comes to reducing emissions. This includes touching on our new sustainability commitment around net zero, the work we're doing with farmers through the Co-operative Difference, the game changing innovation underway to reduce methane emissions on-farm and the work we've done to move out of coal.

With 72 per cent of global consumers expressing an interest in brands that actively communicate achievements around sustainability, the introduction of carbonzero ingredients is another way

in which NZMP™ customers can leverage Fonterra's sustainability solutions.

Kelvin Wickham, Chief Executive AMENA, says achieving carbonzero certification for products like Organic Butter is a great way for us to help our customers and the environment in the short-term, while we work towards our net zero aspirations.





Fonterra set to be home to New Zealand's first electric milk tanker

More than 100 years ago, Fonterra's Waitoa site had New Zealand's largest fleet of electric milk trucks. Fast-forward to 2022, the site is set to welcome New Zealand's first modern electric milk tanker.

The E-tanker, which is due to hit the road in early May, will help Fonterra understand what the future of electric milk collection and rural heavy transport looks like.

With road transport being one the fastest growing source of emissions, the Co-op sees this as an opportunity to help the country identify and deliver lower carbon transport solutions.

Fonterra Chief Operating Officer, Fraser Whineray, says improving emissions across the entire supply chain is part of Fonterra's overall commitment to sustainability.

"The global technology investment in sustainable land, air and sea transport is phenomenal. Our teams are constantly screening the possibilities to see what could work across our supply chain".

The E-tanker is part of Fonterra's Electric Vehicle strategy that will see a third of the Co-op's light vehicle fleet converted to EVs by the end of 2023, while also focusing on transitioning medium and heavy vehicles.



Here's a few facts about the new E-tanker...

1. How big is it?

It's about the same size as a regular tanker. For those who want more technical details – it will operate at 46T GVM (gross vehicle mass) with the trailer.

2. How far can it go?

It has a range of about 140km on a full charge (but this is still to be tested).

3. What brand is it?

The cab and chassis are from XCMG – a Chinese construction machinery group. The team will fit the 'tank' part of the tanker to it, which will be the same as with Fonterra's regular tankers.

4. Is this the first of its kind?

With regards to a fully electric milk tanker in New Zealand, yes. As for in the world, we can't be sure yet, we're still checking that out.

5. How much milk will it carry?

The tank will be the same size as on our regular tanker with the capacity to carry 28,000 litres. However, because the 'truck' part of the tanker is a bit heavier with the battery it will carry around 2,300 litres less milk. This is so we can operate within our permitted weight.

6. How long does it take to charge?

It will take about three hours to charge, and we will be operating it on a battery swap system so we won't have to have it lying idle while charging. The team will be able to swap the battery out in about six minutes.

7. What will you be looking at during the trial?

We'll be looking at a number of factors including; how far it can go, how easy it is to charge, milk collection, maintenance, efficiency, cost, and driver

comfort and safety. This is very much a trial and we're looking forward to learning more about heavy vehicle E-Transport in a rural setting.

8. Where will it be based?

The new tanker will be based at our Waitoa plant in the Waikato region. This is because Waitoa has lots of close supplying farms on relatively flat land, so we can do shorter runs where we can reduce battery consumption with less hills. Since Waitoa was home to the biggest fleet of electric milk trucks, it is also fitting that in New Zealand it becomes home to the first modern milk collection electric tanker in New Zealand.

9. How long will it take to build?

A normal tanker takes about 27 days to build, but this will take a bit longer. This is due to some of the new tech we need to manage. We plan to have it on the road in early May.

Supplementary Information

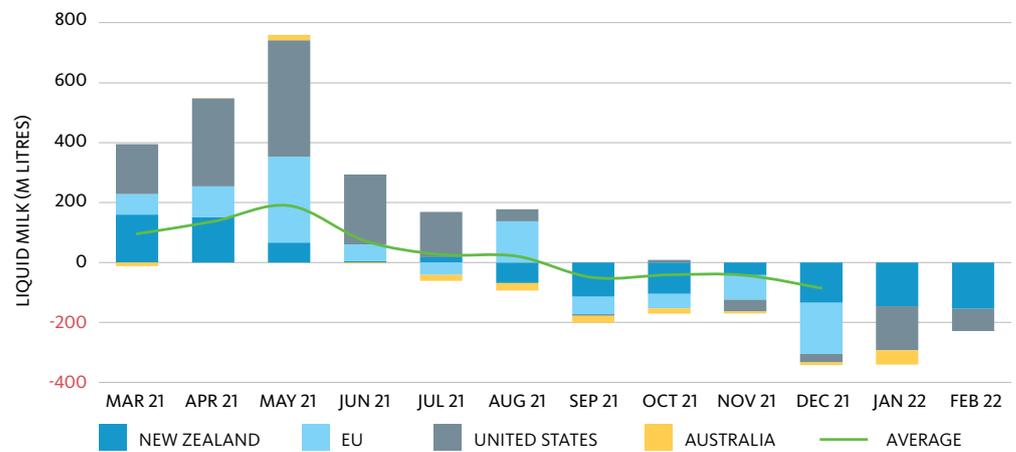
Global Dairy Market

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.

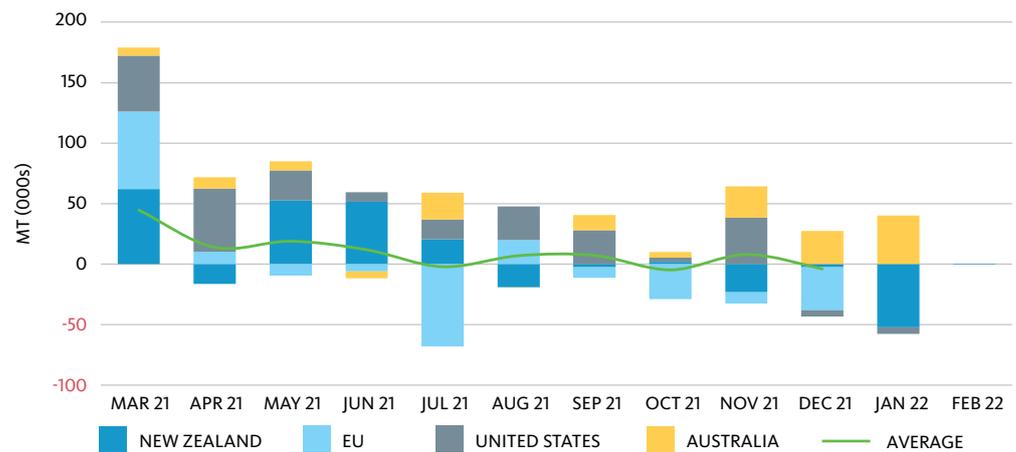
Averages are shown where data is complete for the regions presented.

PRODUCTION



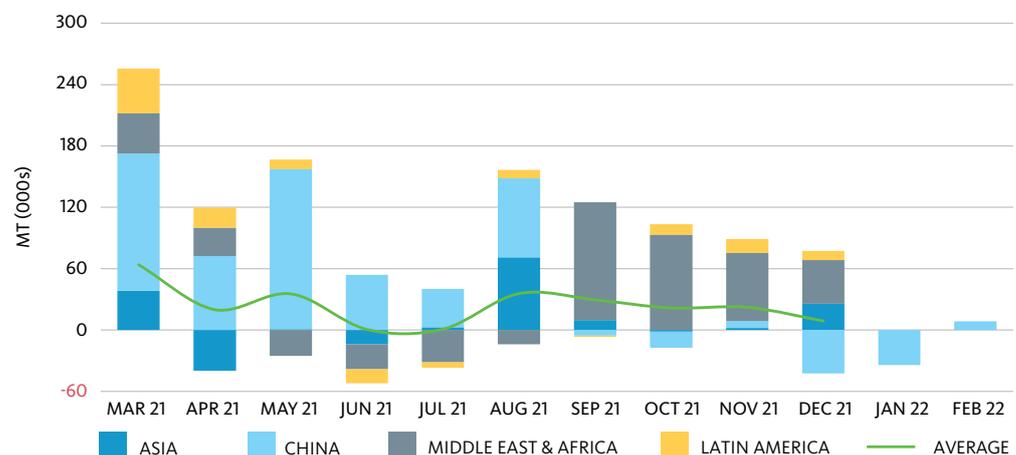
NOTE: Data for EU to December; Australia to January; New Zealand and US to February.

EXPORTS



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

IMPORTS



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

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.

MILK COLLECTION (MILLION KGMS)	FEBRUARY 2022	FEBRUARY 2021	MONTHLY CHANGE	SEASON-TO-DATE 2021/22	SEASON-TO-DATE 2020/21	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	126.9	136.5	(7.0%)	1,159.6	1,207.7	(4.0%)
North Island	67.3	73.9	(8.9%)	697.3	730.7	(4.6%)
South Island	59.6	62.6	(4.8%)	462.3	476.9	(3.1%)
Australia	7.6	7.3	4.9%	75.2	76.0	(1.1%)

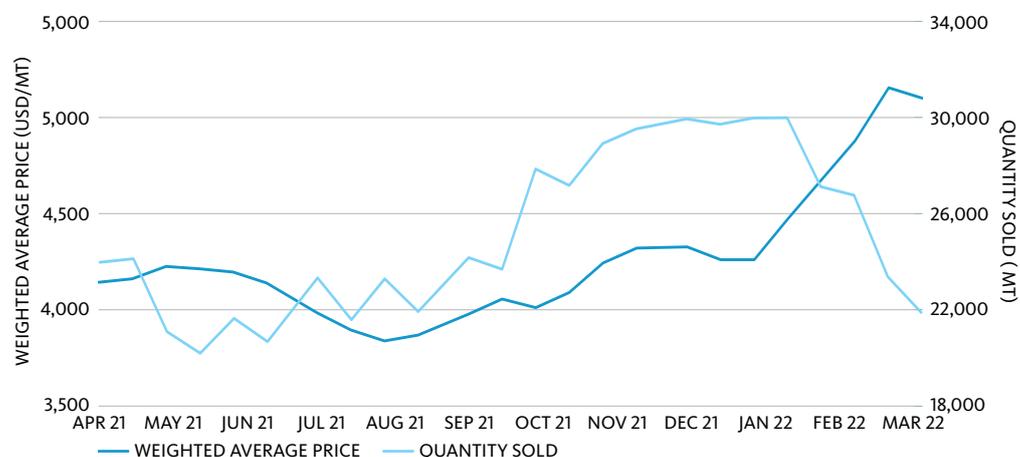
Fonterra GDT results

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

	LAST TRADING EVENT (15 MARCH 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	21,886	425,353
Change in Quantity Sold on GDT over same period last year	(16.0%)	(13.3%)
Weighted Average Product Price (USD/MT)	5,101	4,343
Change in Weighted Average Product Price over same period last year	23.5%	29.2%
Change in Weighted Average Product Price from previous event	(1.0%)	-

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.