JULY 2022

Global Dairy UPDATE

Our Markets

- New Zealand starts new season. US production declines ease. Production declines across Australia and EU.

- New Zealand and EU monthly exports decline. Australia exports continue strong growth and US monthly exports up.

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

- Fonterra New Zealand milk collections for the first month of the 2022/23 season were 14.9 million kgMS, less than 1% of the full season forecast.
- Fonterra Australia collections reached 105.5 million kgMS for the full 2021/22 season to 30 June 2022, a 0.3% decrease compared with last season.

Our Performance

- Chief Innovation and Brand Officer Komal Mistry-Mehta shares how we're advancing our Active Living business.

Our Co-op

- Fonterra welcomes Milk-E, New Zealand's first electric milk tanker.

Key Dates

31 July 2022 End of FY22 Financial Year	22 September 2022 FY22 Annual Results Announcement	10 November 2022 Fonterra Co-operative Group Annual Meeting	14 November 2022 Fonterra Shareholders' Fund Annual Meeting

Global Production

New Zealand starts new season. US production declines ease. Production declines across Australia and EU

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

CLICK HERE

NEW ZEALAND

0.0%
Change for June 2022 compared to June 2021

4.3% ↓
Change for the 12 months to June 2022

New Zealand milk production[1] was flat on a litres basis, (up 1.1% on milk solids basis) in June compared to the same period the year prior.

June production is typically very low and represents about 1% of the total season's production.

New Zealand milk production for the 12 months to June was down 4.3% on the year prior.

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

AUSTRALIA

8.8% ↓
Change for May 2022 compared to May 2021

3.3% ↓
Change for the 12 months to May 2022

Australia milk production decreased 8.8% in May compared to the same period the year prior.

Below average autumn rainfall, combined with labour constraints, and increasing input prices continue to impact milk production.

Australia milk production for the 12 months to May was 3.3% lower than the year prior.

Both Dairy Australia and Rabobank have revised their FY22 forecasts down to around -3.5% relative to the prior period.

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

EUROPEAN UNION

0.8% ↓
Change for April 2022 compared to April 2021

0.0%
Change for the 12 months to April 2022

EU milk production[2] was down 0.8% in April compared to the same period the year prior as rising input costs and environmental protection plans impacted production across key producing regions.

Production declines were observed in Germany, Netherlands, Ireland and France and largely offset by increases in Italy and Poland.

EU milk production for the 12 months to April was flat compared to the same period the year prior. Increases in Italy, Ireland, Poland and Hungary were offset by declines in Germany, Netherlands and France.

USA

0.2% ↑
Change for June 2022 compared to June 2021

0.2% ↓
Change for the 12 months to June 2022

US milk production increased by 0.2% in June, compared to the same period the year prior.

The year-on-year increase reversed a seven-month trend of consecutive declines and was driven by higher milk yield per cow as well as rising herd sizes.

Milk production for the 12 months to June was down 0.2% compared to the same period the year prior.

1 New Zealand production is measured in litres.

2 Excludes UK.

Global Exports

New Zealand and and EU monthly exports decline. Australia exports continue strong growth. US monthly exports up

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

CLICK HERE

NEW ZEALAND

15.0% ↓
Change for June 2022 compared to June 2021

7.1% ↓
Change for the 12 months to June 2022

Total New Zealand dairy exports were down 15.0%, or 47,246 MT, in June compared to the same period the year prior.

The decrease was driven by lower shipments to China of WMP and cheese as covid lockdowns restrictions continue to impact demand. WMP to United Arab Emirates and Sri Lanka also declined year on year.

Exports for the 12 months to June were down by 7.1%, or 253,646 MT, on the previous comparable period. This was primarily driven by decreases in WMP, cheese and butter.

AUSTRALIA

31.6% ↑
Change for May 2022 compared to May 2021

19.6% ↑
Change for the 12 months to May 2022

Australia dairy exports increased 31.6%, or 19,236 MT, in May compared to the same period the year prior.

May exports continue to increase year on year. driven by high demand of fluid milk products and SMP from China. Increases in cheese and other powders were also observed.

Exports for the 12 months to May were up 19.6%, or 155,941 MT, on the previous comparable period.

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

EUROPEAN UNION

15.5% ↓
Change for April 2022 compared to April 2021

5.5% ↓
Change for the 12 months to April 2022

EU dairy exports decreased 15.5%, or 100,493 MT, in April compared to the same period the year prior and reflect low milk production this season.

Lower exports volumes were driven by decreases in fluid milk products, SMP and whey, and partially offset by increases in cultured product and infant formula.

Exports for the 12 months to April were down 5.5%, or 400,353 MT, on the previous comparable period, driven by declines in fluid milk products, SMP, WMP, infant formula, and partially offset by increases in MPC and caseinate.

USA

6.3% ↑
Change for May 2022 compared to May 2021

4.6% ↑
Change for the 12 months to May 2022

US dairy exports increased 6.3% in May compared to the same period the year prior.

Stronger demand for cheese by Mexico, South Korea and Japan, lactose to New Zealand and Japan and WPC to China is driving this increase. This is partially offset by lower shipments of SMP to Mexico and whey to China.

Exports for the 12 months to May were up 4.6%, or 122,323 MT, on the previous comparable period, driven by cheese, lactose, fluid milk products, butter and AMF.

Global Imports

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

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

CLICK HERE

LATIN AMERICA

6.0% ↑
Change for April 2022 compared to April 2021

0.9% ↑
Change for the 12 months to April 2022

Latin America dairy import volumes[1] increased 6.0%, or 10,086 MT, in April compared to the same period the year prior.

The increase was driven by stronger demand for fluid milk by Cuba and Mexico, higher volumes of cheese by the Dominican Republic but partially offset by decreases of SMP and WMP to Peru.

Imports for the 12 months to April were up 0.9% compared to the same period the year prior, driven by higher volumes of cheese, whey and MPC, and SMP and partially offset by declines in WMP and fluid milk products.

ASIA

2.7% ↑
Change for April 2022 compared to April 2021

4.1% ↑
Change for the 12 months to April 2022

Asia (excluding China) dairy import volumes[1] increased 2.7%, or 11,912 MT, in April compared to the same period the year prior.

The increase was driven by higher demand for SMP by Pakistan and Philippines, higher volumes of cultured products to Philippines and WPC to Singapore.

Imports for the 12 months to April were up 4.1%, or 200,831 MT, compared to the same period the year prior, driven by higher volumes of whey, WPC and SMP, and partially offset by a decrease in lactose, fluid milk products and AMF.

MIDDLE EAST & AFRICA

9.5% ↑
Change for April 2022 compared to April 2021

8.8% ↑
Change for the 12 months to April 2022

Middle East and Africa dairy import volumes[1] increased 9.5%, or 41,994 MT, in April compared to the same period the year prior.

The increase was driven by higher volumes of SMP to Egypt cheese to Libya and infant formula to Iraq but partially offset by lower volumes of fluid milk products to Togo, Saudi Arabia and Iraq.

Imports for the 12 months to April were up 8.8%, or 422,189 MT, compared to April the year prior, driven by increases in cheese, SMP and fluid milk products.

CHINA

22.2% ↓
Change for June 2022 compared to June 2021

8.6% ↓
Change for the 12 months to June 2022

China dairy import volumes decreased by 22.2%, or 73,010 MT, in June compared to the same period last year. This is the fourth consecutive month of year-on-year decline as Covid restrictions continue to impact consumption and demand.

Lower volumes were observed across most product categories and more specifically in WMP, fluid milk products, SMP and cheese mainly from New Zealand.

Imports for the 12 months to June were down 8.6%, or 351,465 MT, driven by whey, fluid milk products, infant formula and SMP and partially offset by increases in WMP.

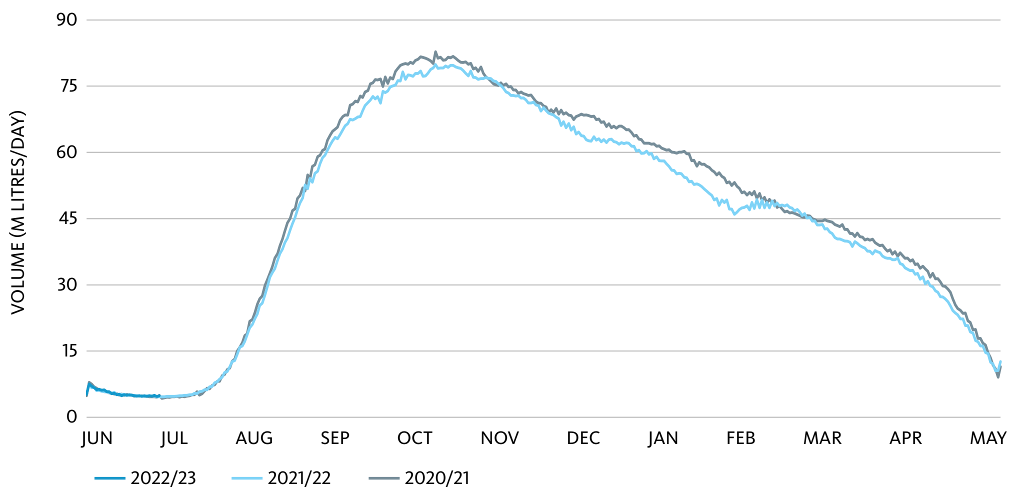
1 Estimates are included for those countries that have not reported data.

Fonterra Milk Collections

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

CLICK HERE

New Zealand Milk Collections



NEW ZEALAND

1.9% ↑
Change for June 2022 compared to June 2021

1.9% ↑
Season-to-date 1 June to 30 June

Fonterra's New Zealand collections for June were 14.9 million kgMS, 1.9% higher than last June.

As is normal for this time of the season, collections for June represent less than 1% of the full season forecast.

Warm and wet conditions were experienced throughout June. Farms are looking well set up for calving with good pasture covers and animal body condition.

NORTH ISLAND

4.3 % ↓
Change for June 2022 compared to June 2021

4.3% ↓
Season-to-date 1 June to 30 June

North Island milk collections in June were 11.5 million kgMS, 4.3% behind June last season.

Warm and wet conditions earlier in the month helped pasture cover recover from the tough Autumn experienced by most farmers. The middle of June was interrupted with cold weather; however, conditions have set up farms well for calving.

SOUTH ISLAND

30.0% ↑
Change for June 2022 compared to June 2021

30.0% ↑
Season-to-date 1 June to 30 June

South Island milk collections in June were 3.4 million kgMS, 30.0% higher than last June.

Although a large variance in percentage terms, June collections in the South Island typically represent less than 0.5% of full season collections.

Central and Lower South Island regions had favourable conditions to support milk production with warmer and drier than normal conditions for this time of the season.

AUSTRALIA

10.1% ↑
Change for June 2022 compared to June 2021

0.3% ↓
For the 2021/22 Season compared to the previous season

Fonterra's Australia collections for June were 6.5 million kgMS, a 10.1% increase on June last season.

Third-party volumes increased 0.35 million kgMS and farm collections increased 0.25 million kgMS, respectively.

Fonterra collections across Australia for the full season were 105.5 million kgMS, a 0.3% decline on last season

Fonterra Global Dairy Trade Results

Fonterra GDT results at last trading event **19 July 2022:**

4.9% ↓
Change in Fonterra's weighted average product price from previous event

USD 4,190
Fonterra's weighted average product price (USD/MT)

22.2 000' MT
Fonterra product quantity sold on GDT

CHEDDAR
1.7% ↓
USD 4,825/MT

BUTTER
2.1% ↓
USD 5,530/MT

AMF
2.2% ↓
USD 5,580/MT

WMP
5.1% ↓
USD 3,757/MT

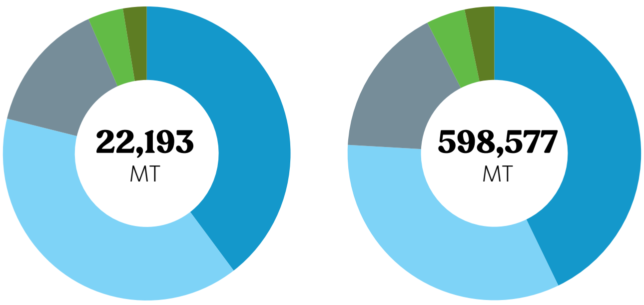
SMP
8.9% ↓
USD 3,734/MT

Fonterra GDT sales **by destination**:

LATEST AUCTION

FINANCIAL YEAR-TO-DATE

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



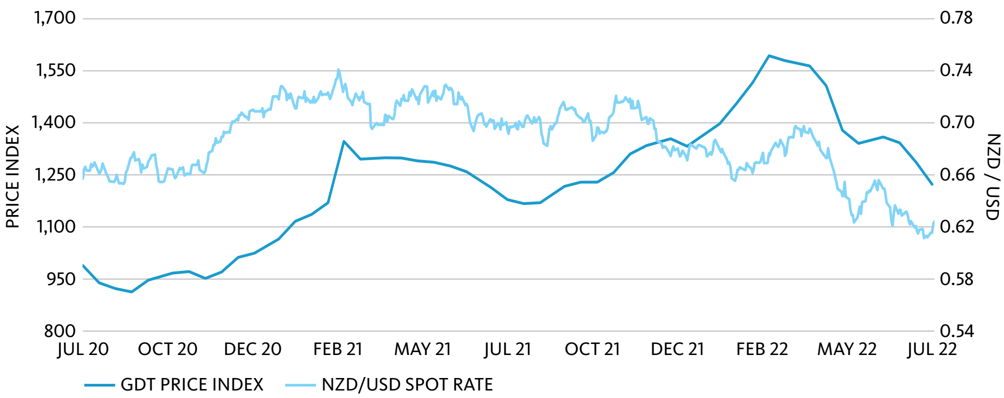
To view more information, including a snapshot of the rolling year-to-date results –

CLICK HERE ▶

▶ The next trading event will be held on 2 August 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

US inflation is at its highest level in four decades, leading to a faster pace of tightening in US monetary conditions. This underpinned demand for US dollars and, together with a weaker economic outlook in New Zealand, pressured the NZD to below 61 US cents before increasing above 62 cents later in July.



Our Performance

Chief Innovation and Brand Officer Komal Mistry-Mehta shares how we're advancing our Active Living business

Komal Mistry-Mehta, Chief Innovation and Brand Officer

The way people manage their health and wellness is being revolutionised, and we're seeing this trend growing more prominently due to COVID-19.

Consumers are rethinking what it means to age well, are being proactive with their health and taking a holistic perspective on their wellbeing. This has given rise to a range of consumer solutions targeting specific health and wellness needs, which Fonterra is well placed to take advantage of.

Last year when the Co-operative released its long-term strategy, it set an aspiration to grow operating profit by 40-50% from FY21 base by 2030. This will be done by focusing on our New Zealand milk, sustainability, nutrition and innovation credentials.

One of the ways we will create more value is to shift more of our Ingredients portfolio towards higher-value ingredients and solutions through our Active Living business. This business addresses three dimensions of wellbeing (Physical, Mental, Inner) and the health needs of a medical patient right through to those taking a proactive approach to their health and wellbeing.

The global health and wellness market represents approximately US$66 billion in annual sales, growing at 6.1% per year and Medical Nutrition represents around US$50 billion in annual sales globally and growing at 5% per year.

Fonterra is already well positioned to take a slice of these markets. We have expertise in protein to help people maintain muscle mass for better quality of life, dairy lipids that improve people's mood and probiotics to support immunity and digestion.

To date we're able to claim our products have health benefits relating to muscle health and sarcopenia (age related loss of muscle mass), mobility, malnutrition, and digestive health. In addition to this we're beginning to see benefits emerging in the areas of oncology care, perioperative care, mental wellbeing and beauty from within. We're also seeing complementary benefits of immunity, metabolic health, and weight management coming through.

In terms of the geographies we're pursuing, the USA is key to our strategy due to its interest in health and wellness and its wealth of innovative companies at the forefront of this trend. We are also focusing on Japan, China and South Korea with the team scoping Indonesia, Thailand and Vietnam for future potential.

We already have a number of partnerships underway with customers who value our expertise, including:

An R&D partnership focusing on mental wellbeing with US based personalised nutrition company Sun Genomics.

The fastest growing probiotic brand in China, Wonderlab, who is focused on providing nutrition solutions to younger generations.

Korean brand Daesang a customer that values our specialist ingredients and our sustainability credentials. They've recently launched a new product using our bioactive whey – which has lactoferrin content 11 times higher than standard whey protein, to support immunity and provide protein benefits.

Leading health solutions company, Life Extension who offer a range of vitamins, nutritional supplement and blood-testing services. They launched a new probiotic supplement in the US market in 2021, using our BifidoB HN019 probiotic strain

Our Active Living business has grown steadily over the last few years. This growth has been driven by innovation, increase in market share and share of wallet, portfolio expansion and geographic expansion.

Going forward we will continue to invest in R&D, customer experience and our service model, as well as look for opportunities to enhance our capability and strategy through partnerships.

In particular, we will be focusing on three areas to achieve our 2030 ambitions:

Medical & Lifestyle protein-based beverages – lifestyle beverages represent around US$9.2 billion in annual sales, growing at 6.4% per year. We have well established internal capability in this space, differentiated solutions through our advanced proteins, and an existing global customer network.

Probiotics in Asia – the Asian probiotics market represents approximately US$1.54 billion in annual sales and is growing at 11.6% per year. Two of our probiotics 'super-strains' are currently highly regarded in market because of the depth of human clinical research backing their effectiveness.

Mental wellbeing solutions – mental wellbeing is the top and fastest growing consumer concern globally. We know our lipids, probiotics and proteins have a role to play in improving mental wellness.

It is an exciting time for the food industry as investment in health, data and technology are rising and we are excited to be part of this journey to provide better nutritional solutions to customers and consumers around the world.

Our Co-op

Fonterra welcomes Milk-E, New Zealand's first electric milk tanker

New Zealand's first electric milk tanker, Milk-E, has been officially launched by the Minister for Energy and Resources, Hon. Dr Megan Woods, in Morrinsville.

Local Government, Iwi, Industry and Fonterra employees were also present to recognise the significant milestone in the decarbonisation of New Zealand's heavy transport, while also recognising the team behind the build.

Named by Fonterra farmer Stephen Todd from Murchison, Milk-E is part of Fonterra's fleet decarbonisation work, which is one of a number of programmes that's helping the Co-op towards becoming a leader in sustainability.

"Right across the Co-op our teams are constantly looking at how we can decrease our emissions – from on farm, to at our sites and throughout our transport network," said Chief Operating Officer, Fraser Whineray.

"The team here at our Morrinsville Workshop have done a fantastic job of pulling this tanker together. Being a New Zealand first, there's been a lot of creative thinking and Kiwi ingenuity to bring Milk-E to life."

Changes to the battery configuration have given the team an opportunity to trial other additions to improve milk collection efficiencies, reduce safety concerns, and reduce the amount of work required to customise a Fonterra tanker. A battery swap system is being installed at the Waitoa site where Milk-E will be based to trial how this could work within a fleet to minimise downtime from battery charging.

"It's been great to see the team turn challenges into opportunities so in addition to trialling Milk-E's on-road ability, we're also trialling a new electric pump, hose configuration and cabinetry," says Mr Whineray.

Fonterra received co-funding from the Government's Low Emissions Transport Fund (LEFT), which is administered by EECA (the Energy Efficiency and Conservation Authority).

EECA Group Manager Investment and Engagement, Nicki Sutherland, said, "We're pleased to see this project come to life. New Zealand has ambitious targets to rapidly reduce carbon emissions, and transport is key, but heavy freight has proven hard to decarbonise. If successful, this project could be replicated across a number of New Zealand businesses."

The electric milk tanker will operate out of Fonterra's Waitoa site, which Mr Whineray says is very fitting given it was the site of New Zealand's largest fleet of electric milk trucks 100 years ago.

Other work on Milk-E includes:

- An electric pump on the driver's side has reduced the pipework on the truck by 3.4 metres, reducing tare weight.
- The milk hose now falls naturally back across the guards of the truck and is secured onto a Bayonet connection which locks the hose in place and seals the end of the hose in transit.
- Newly designed doors that open out sideways with minimal moving parts, resulting in improved safety.
- The need for a hydraulic tank and pump has been removed and a fully electric motor and pump has been installed.

For more information, check out 10 facts about Milk-E –

CLICK HERE ▸

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.

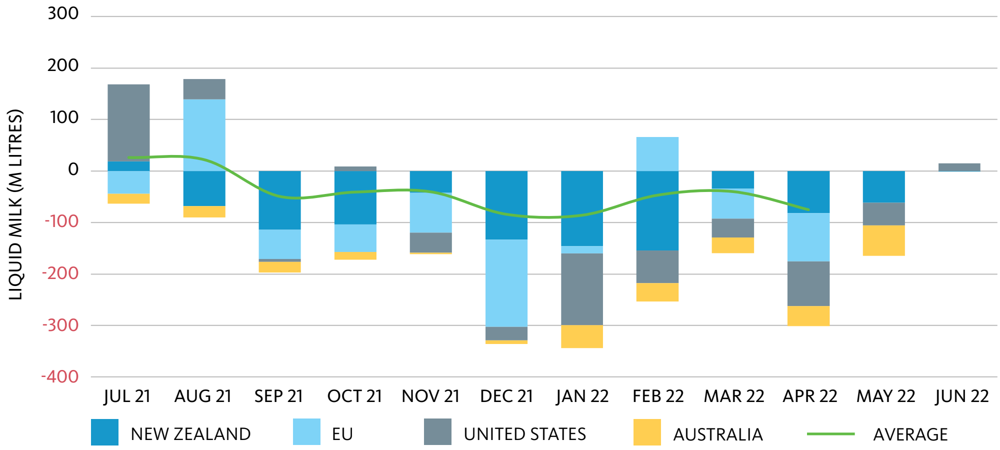
Averages are shown where data is complete for the regions presented.

BACK TO SUMMARY ▶

BACK TO SUMMARY ▶

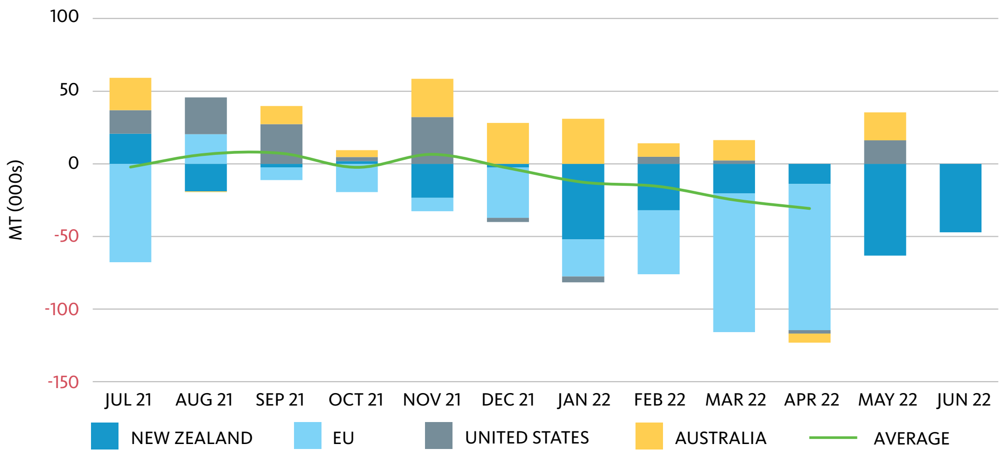
BACK TO SUMMARY ▶

PRODUCTION



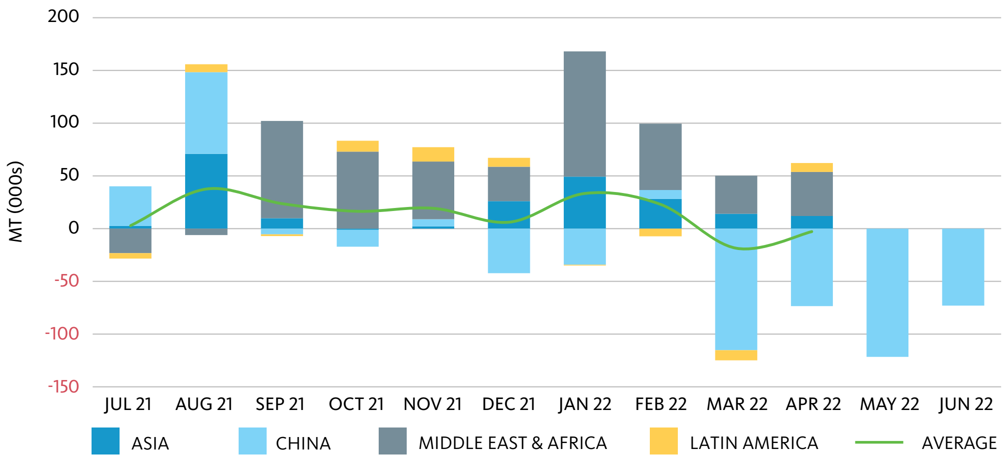
NOTE: Data for EU to April; Australia to May; New Zealand and US to June.

EXPORTS



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

IMPORTS



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

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.

BACK TO SUMMARY ▶

MILK COLLECTION (MILLION KGMS)	JUNE 2022	JUNE 2021	MONTHLY CHANGE	SEASON-TO-DATE 2022/23	SEASON-TO-DATE 2021/22	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	14.9	14.6	1.9%	14.9	14.6	1.9%
North Island	11.5	12.0	(4.3%)	11.5	12.0	(4.3%)
South Island	3.4	2.6	30.0%	3.4	2.6	30.0%

MILK COLLECTION (MILLION KGMS)	JUNE 2022	JUNE 2021	MONTHLY CHANGE	SEASON-TO-DATE 2021/22	SEASON-TO-DATE 2020/21	SEASON-TO-DATE CHANGE
Australia	6.5	5.9	10.1%	105.5	105.8	(0.3%)

Fonterra GDT results

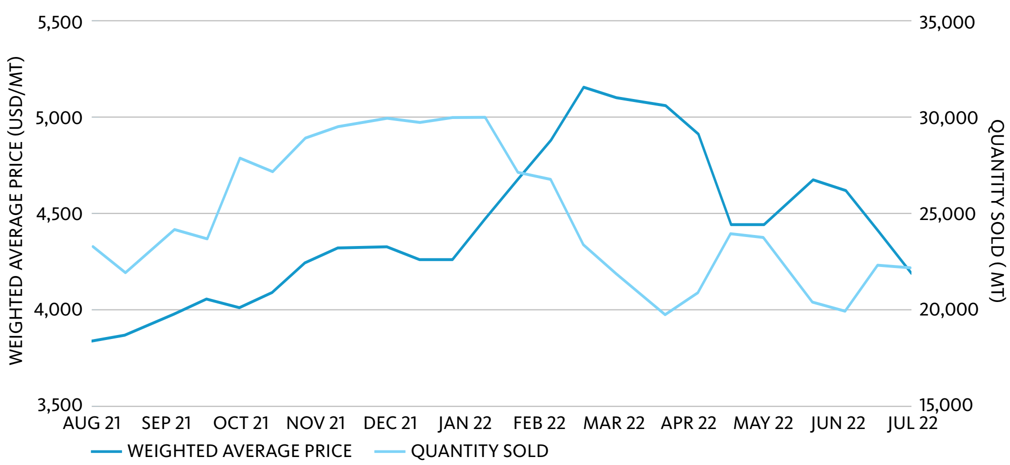
This table provides more information on the latest results, including a snapshot of the year-to-date results.

	LAST TRADING EVENT (19 JULY 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	22,193	598,577
Change in Quantity Sold on GDT over same period last year	2.8%	(10.3%)
Weighted Average Product Price (USD/MT)	4,190	4,412
Change in Weighted Average Product Price over same period last year	7.6%	23.8%
Change in Weighted Average Product Price from previous event	(4.2%)	–

Fonterra GDT results

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

BACK TO SUMMARY ▶



Glossary

AMF
Anhydrous Milk Fat.

BMP
Butter Milk Powder.

Cultured Products
Fermented milks that are prepared by using starter cultures and controlled fermentation including yoghurt, yoghurt drinks, sour cream, crème fraiche.

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 New Zealand 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.

WPI
Whey Protein Isolate.