AUGUST 2022

Global Dairy UPDATE

Our Markets

- Wet start to the season in New Zealand. Production decline across EU. Australia ends season on lower monthly production.
- New Zealand, US and Australia monthly exports up. EU exports decline.
- China imports continue to decline. Middle East & Africa, Latin America and Asia imports up.
- Early season collections in New Zealand and Australia.

Our Performance

- Another step in low carbon transition.

Our Co-op

- Celebrating serving 50 million Kickstart Breakfasts nationwide.

Key Dates

22 September 2022	10 November 2022	14 November 2022
FY22 Annual Results Announcement	Fonterra Co-operative Group Annual Meeting	Fonterra Shareholders' Fund Annual Meeting

OUR MARKETS

Global Production

Wet start to the season in New Zealand. Production decline across EU. Australia ends season on lower monthly production

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

CLICK HERE ▶

NEW ZEALAND

5.7%↓
Change for July 2022 compared to July 2021

4.4%↓
Change for the 12 months to July 2022

New Zealand milk production[1] was down 5.7% on a litres basis, (down 5.5% on milk solids basis) in July compared to the same period the year prior.

The start of the season was marked by record rainfall and warmer temperatures, adversely impacting pastures and milk production.

June and July account for only a small proportion, around 2% of total milk production for the full season.

New Zealand milk production for the 12 months to July was down 4.4% on the year prior.

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

AUSTRALIA

9.2%↓
Change for June 2022 compared to June 2021

3.9%↓
Change for the 12 months to June 2022

Australia milk production decreased 9.2% in June compared to the same period the year prior.

Low pasture growth, labour constraints and increasing input prices continue to impact Australian milk production.

Australia milk production for the 12 months to June was 3.9% lower than the year prior.

New season Australian milk production is forecast to remain flat to modest growth year-on-year as milk income margin over feed and input costs remains positive.

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

EUROPEAN UNION

1.6%↓
Change for May 2022 compared to May 2021

0.4%↓
Change for the 12 months to May 2022

EU milk production[2] was down 1.6% in May compared to the same period the year prior.

Peak milk production was weaker year-on-year as dry weather, limited feed availability and rising input costs impacted production across most regions. Production declines were observed most notably in Germany, France, Netherlands and Ireland.

EU milk production for the 12 months to May declined 0.4% compared to the same period the year prior, driven by declines in Germany, Netherlands and France.

USA

0.2%↑
Change for July 2022 compared to July 2021

0.4%↓
Change for the 12 months to July 2022

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

The year-on-year increase was constrained by weaker cow numbers compared to last season as herds sizes are rebuilding slowly.

Milk production for the 12 months to July was down 0.4% compared to the same period the year prior.

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[1] New Zealand production is measured in litres.

[2] Excludes UK.

OUR MARKETS

Global Exports

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

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

CLICK HERE ▶

NEW ZEALAND

8.2%↑
Change for July 2022 compared July 2021

7.4%↓
Change for the 12 months to July 2022

Total New Zealand dairy exports were up up 8.2%, or 22,525 MT, in July compared to the same period the year prior.

The increase was driven by higher shipments of AMF, SMP, butter and WMP to China. Exports of WMP and SMP to Southeast Asia were also strong.

Exports for the 12 months to July were down by 7.4%, or 267,969 MT, on the previous comparable period. This was primarily driven by decreases in WMP and cheese.

AUSTRALIA

11.9%↑
Change for June 2022 compared to June 2021

20.6%↑
Change for the 12 months to June 2022

Australia dairy exports increased 11.9%, or 8,479 MT, in June compared to the same period the year prior.

Export volumes continue to grow year-on-year, driven by high demand for fluid milk products and SMP from China. Increases in whey and other powders were also observed.

Exports for the 12 months to June were up 20.6%, or 163,244 MT, on the previous comparable period.

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

EUROPEAN UNION

7.2%↓
Change for May 2022 compared to May 2021

5.8%↓
Change for the 12 months to May 2022

EU dairy exports decreased 7.2%, or 44,543 MT, in May compared to the same period the year prior.

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

Exports for the 12 months to May were down 5.8%, or 427,599 MT, on the previous comparable period, driven by declines in fluid milk products, SMP, WMP, whey and partially offset by increases in MPC, lactose and caseinate.

USA

11.0%↑
Change for June 2022 compared to June 2021

5.3%↑
Change for the 12 months to June 2022

US dairy exports increased 11.0% in June compared to the same period the year prior.

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

Exports for the 12 months to June were up 5.3%, or 141,650 MT, on the previous comparable period, driven by cheese, lactose, fluid milk products, butter and AMF.

Global Imports

China imports continue to decline. 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

9.5% ↑
Change for May 2022 compared to May 2021

1.2% ↑
Change for the 12 months to May 2022

Latin America dairy import volumes[1] increased 9.5%, or 15,303 MT, in May compared to the same period the year prior.

The increase was driven by stronger demand for cheese and fluid milk by the Dominican Republic and Mexico, AMF by Mexico, SMP by Colombia and partially offset by decreases of lactose by Brazil.

Imports for the 12 months to May were up 1.2% 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

9.9% ↑
Change for May 2022 compared to May 2021

4.4% ↑
Change for the 12 months to May 2022

Asia (excluding China) dairy import volumes[1] increased 9.9%, or 41,555 MT, in May compared to the same period the year prior.

The increase was driven by higher demand for SMP and whey by the Philippines and Malaysia, WMP by Thailand, lactose by Indonesia and WPC by Singapore.

Imports for the 12 months to May were up 4.4%, or 214,909 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 fluid milk products.

MIDDLE EAST & AFRICA

16.6% ↑
Change for May 2022 compared to May 2021

10.8% ↑
Change for the 12 months to May 2022

Middle East and Africa dairy import volumes[1] increased 16.6%, or 65,070 MT, in May compared to the same period the year prior.

The increase was driven by higher volumes of SMP and WMP by Algeria, and infant formula by Saudi Arabia and partially offset by lower volumes of fluid milk products by Libya.

Imports for the 12 months to May were up 10.8%, or 515,098 MT, compared to May the year prior, driven by increases in cheese, SMP and fluid milk products.

CHINA

23.6% ↓
Change for July 2022 compared to July 2021

11.5% ↓
Change for the 12 months to July 2022

China dairy import volumes decreased by 23.6%, or 82,896 MT, in July compared to the same period the year prior.

Demand remained limited following lockdown restrictions but it is worth noting 2021 import levels were very strong.

Lower volumes of WMP, SMP, fluid milk products and whey were partially offset by an increase in infant formula, lactose and AMF imports.

Imports for the 12 months to July were down 11.5%, or 471,651 MT, driven by whey, fluid milk products, SMP and infant formula.

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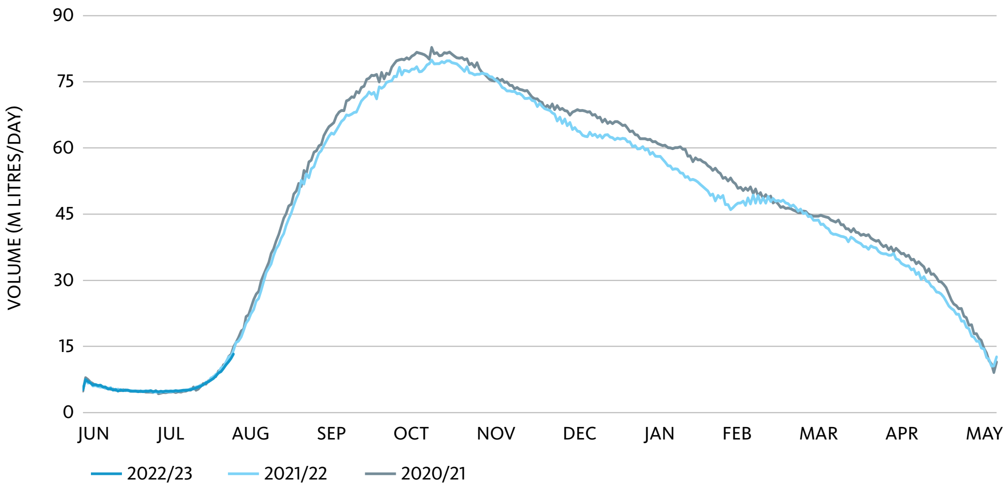
[1] Estimates are included for those countries that have not reported data.

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

2.4% ↓
Change for July 2022 compared to July 2021

0.6% ↓
Season-to-date 1 June to 31 July

Fonterra's New Zealand collections for July were 19.0 million kgMS, 2.4% lower than last July.

Season-to-date collections were 33.9 million kgMS, 0.6% behind last season.

This represents only around 2% of the full season forecast collection.

Extremely wet conditions were experienced throughout July, but milk volumes have generally been comparable to the previous season.

Calving is in full swing in the North Island, with the South Island starting in early August.

NORTH ISLAND

3.5% ↓
Change for July 2022 compared to July 2021

3.8% ↓
Season-to-date 1 June to 31 July

North Island milk collections in July were 17.2 million kgMS, 3.5% behind July last season.

Season-to-date collections were 28.7 million kgMS, 3.8% behind last season.

The North Island experienced very wet conditions throughout July creating some challenges going into calving. Some pasture damage has been reported which will need to be rectified over spring.

SOUTH ISLAND

9.7% ↑
Change for July 2022 compared to July 2021

22.3% ↑
Season-to-date 1 June to 31 July

South Island milk collections in July were 1.8 million kgMS, 9.7% higher than last July.

Season-to-date collections were 5.2 million kgMS, 22.3% ahead of last season.

Although a large variance in percentage terms, June and July collections typically represent less than 2% of full season collections.

Central South had their wettest July on record, similar rainfall to what was experienced in June last season. Lower South experienced favourable winter conditions supporting milk production and setting them up well for calving.

AUSTRALIA

2.7% ↓
Change for July 2022 compared to July 2021

2.7% ↓
Season-to-date 1 July to 31 July

Fonterra's Australia collections for the first month of the new season were 5.3 million kgMS, a 2.7% decrease on July last season.

Both off-farm collections and third party intake were down year-on-year, 1.3% and 13.6% respectively.

The new season outlook remains balanced, with increasing likelihood of another La Niña weather pattern developing in late winter/early spring.

Fonterra Global Dairy Trade Results

Fonterra GDT results at last trading event
16 August 2022:

3.6%↓

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

USD 3,780

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

29.2 000' MT

Fonterra product quantity sold on GDT

CHEDDAR

4.3%↑

USD 5,005/MT

SMP

0.5%↑

USD 3,544/MT

BUTTER

0.2%↑

USD 5,204/MT

WMP

3.6%↓

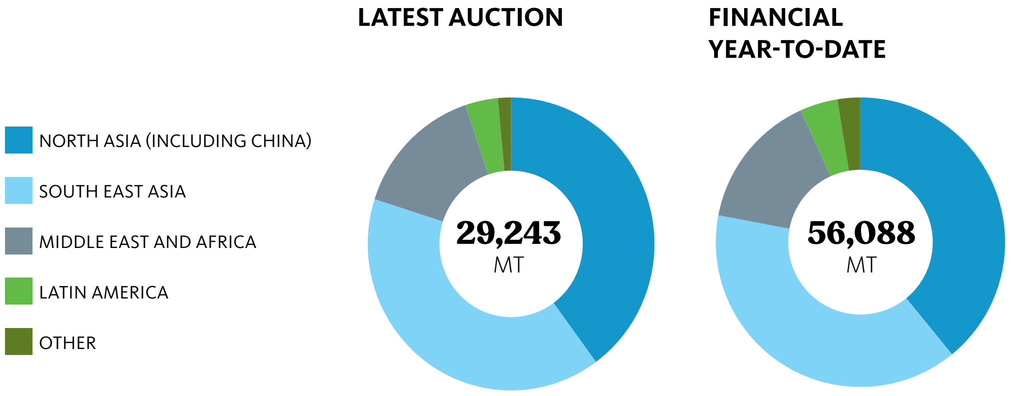
USD 3,417/MT

AMF

9.6%↓

USD 4,990/MT

Fonterra GDT sales
by destination:



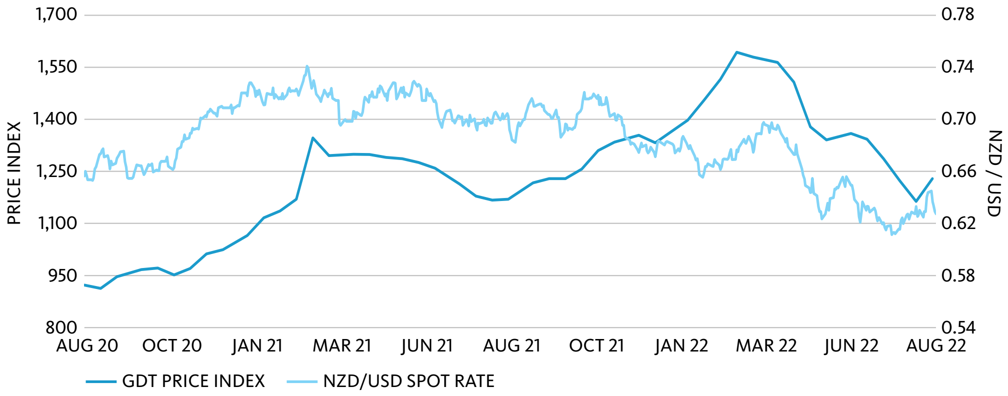
To view more information, including a snapshot of the rolling year-to-date results –

CLICK HERE ▶

▶ The next trading event will be held on 6 September 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Tentative signs emerged that US inflation may have peaked, reducing expectations of how much US interest rates may need to rise and this, with more upbeat US economic activity data, produced a more positive risk appetite in financial markets. The NZD appreciated to above 64 US cents before reducing following USD strength.



Our Performance

Another step in low carbon transition

Fonterra is taking another step towards its low carbon transition with its Waitoa site in the Waikato planning to install a 30 megawatt wood biomass boiler to replace a coal boiler.

Together with Te Tumuaki o Te Kīngitanga and local iwi Ngāti Hauā, the Co-operative celebrated the turning of the first sod at Waitoa.

Work will begin on the new boiler installation later this year, and it is expected to be up and running in November 2023.

The new boiler will reduce the site's annual emissions by 48,000 tonnes of CO_2e, the equivalent of taking 20,000 cars off New Zealand's roads.

Fonterra Head of Energy and Climate, Linda Mulvihill, says this is another significant step towards the Co-operative's sustainability ambitions.

"This is the fourth sustainable fuel switching decarbonisation project in as many years for the Co-operative with projects, including Te Awamutu and Stirling, providing us with insights into the best way forward along with emissions reductions.

Grouped together these projects reduce our CO_2e emissions by a forecast 183,000 tonnes per annum, the equivalent of 76,000 cars off New Zealand roads."

The Co-operative has an ambition to be at net zero emissions by 2050 and has an interim target of a 30% absolute reduction in manufacturing emissions by 2030 based on FY18 levels.

"Projects such as this make a significant reduction in our emissions. We saw that with our Te Awamutu conversion, which resulted in an 11% reduction and we're looking forward to starting our first site on 100% renewable thermal energy next year at the cheese factory in Stirling, Otago" says Ms Mulvihill.

The new boiler will give a boost to the local wood biomass industry.

Wood Energy New Zealand Director, Nigel Ellett says "Wood Energy New Zealand is very proud to be involved with, and to support, Fonterra's move across from coal to biomass at their facility in Waitoa, and growing our supply footprint into the North Island.

The Wood Energy New Zealand partnership, between Pioneer Energy and Niagara Sawmilling, was created to support industry and ensure quality and security of locally sourced wood fuel, removing risk to our customers and supporting their transition to a lower carbon future."

Our Co-op

Celebrating serving 50 million Kickstart Breakfasts nationwide

Fonterra is celebrating serving 50 million breakfasts to Kiwi kids since 2009 as part of the Kickstart Breakfast programme.

Beyond breakfast, the milestone recognises the 50 million possibilities kickstarted by the programme nationwide.

KickStart Breakfast is a partnership between Fonterra, Sanitarium and the Ministry of Social Development, designed to positively impact child wellbeing by providing access to nutritious food at school.

The programme allows flexibility to work best for students and their needs, offering them the opportunity to partake in social activities that prepare them for the future.

Over the breakfast table, students are not only kickstarting their school day with a healthy and nutritional breakfast, but are developing life-long lessons on leadership, community support, relationships and responsibility.

The breakfast club environment encourages students to learn from their peers, teachers and volunteers in a social setting. Students enjoy leading the breakfast clubs, helping them to develop their leadership skills.

KickStart Breakfast engages the whole community, connecting families, staff and volunteers to enable possibilities for future generations. Students benefit by talking to local businesses and external volunteers who also are involved.

Tracey Putt, Relationship Manager for Kickstart Breakfast, says the 50 million breakfast milestone has been important to recognise the benefits outside of just one meal.

"KickStart Breakfast sets students up for learning, provides a welcoming space and opportunities to hone skills such as interacting with a range of people, building new or stronger connections and leading or supporting others".

Amavi Mey, Community Engagement Manager for Fonterra Brands New Zealand, says students experience the power of a nutritious breakfast and valuable social interaction both beneficial for their learning.

"I used to be a primary school teacher, and Breakfast Club was at one of the schools I worked in – May Road in Mt Roskill. I ran Breakfast Club twice a week and have seen first-hand the difference that a breakfast made to the children in my class. KickStart Breakfast is a real catalyst for other organisations to get involved and support, knowing that we provide the backbone of breakfast.

The KickStart Breakfast programme is one of the longest-running, successful collaborations between government, business, schools and communities in Aotearoa, New Zealand. It is the only national 'food in schools' programme available for any school and all children and young people.

Running in almost 1,400 schools nationwide, KickStart Breakfast serves nearly 180,000 breakfasts to students each school week.

KickStart Breakfast provides Anchor™ Milk and Sanitarium Weet-Bix™ as a nutritional foundation for a day of learning. The Ministry of Social Development supports the programme through funding, allowing breakfast clubs to operate nationally, five days a week.

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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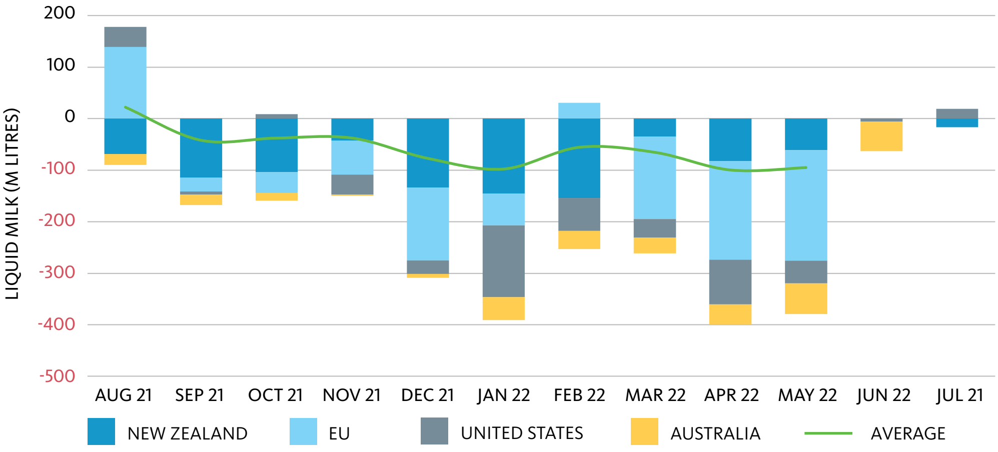
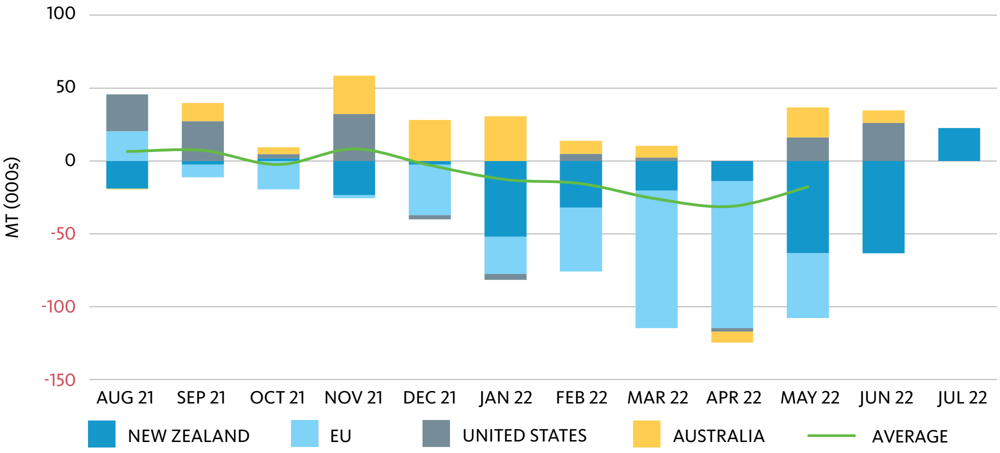
PRODUCTION



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

EXPORTS



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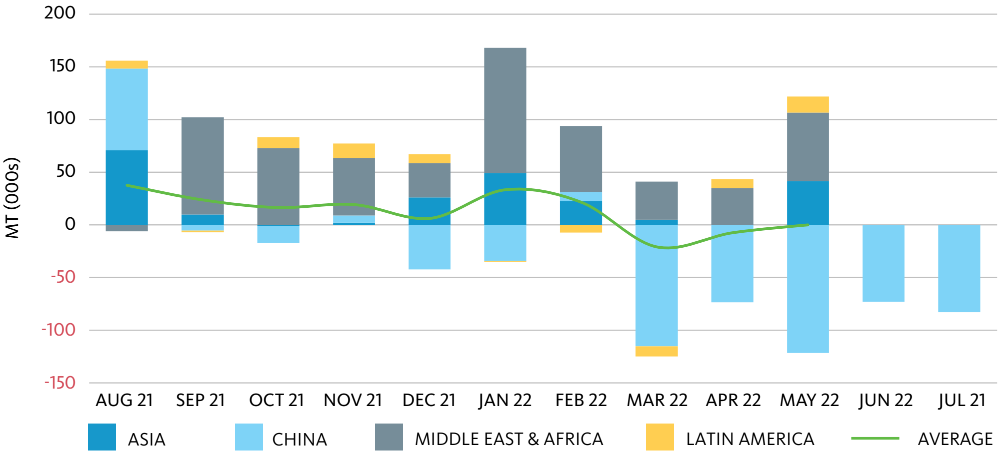
NOTE: Data for EU to May; US and Australia to June; New Zealand to July.

IMPORTS



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

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)	JULY 2022	JULY 2021	MONTHLY CHANGE	SEASON-TO-DATE 2022/23	SEASON-TO-DATE 2021/22	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	19.0	19.5	(2.4%)	33.9	34.1	(0.6%)
North Island	17.2	17.9	(3.5%)	28.7	29.8	(3.8%)
South Island	1.8	1.6	9.7%	5.2	4.3	22.3%
Australia	5.3	5.4	(2.7%)	5.3	5.4	(2.7%)

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 AUGUST 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2022)
Quantity Sold on GDT (Winning MT)	29,243	56,088
Change in Quantity Sold on GDT over same period last year	33.3%	24.0%
Weighted Average Product Price (USD/MT)	3,780	3,849
Change in Weighted Average Product Price over same period last year	(2.3%)	(0.1%)
Change in Weighted Average Product Price from previous event	(3.6%)	–

Fonterra GDT results

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

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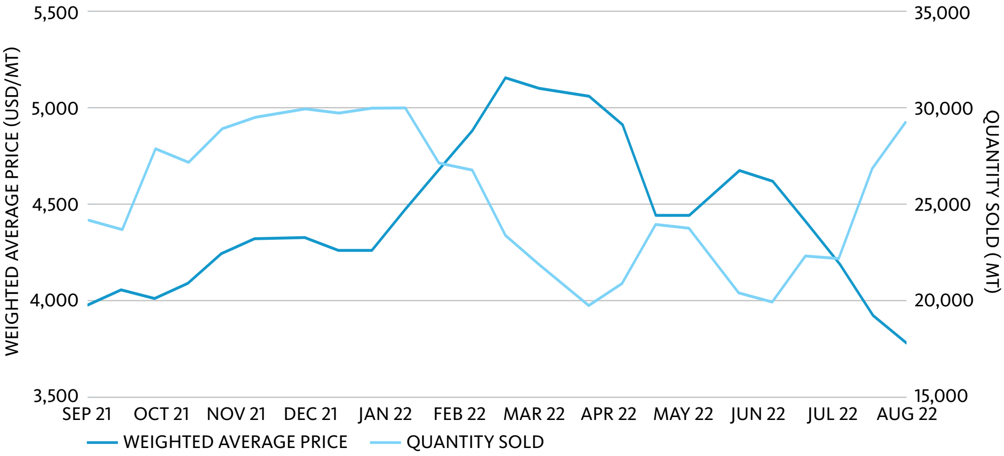

Glossary

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.