



JULY 2023

# Global Dairy UPDATE



- New Zealand starts new season. Australia and EU monthly production increased, US flat.

- Fonterra increases emissions reduction ambitions.



- New Zealand monthly exports increased. Australia, EU and US exports continue to decrease.



- China and Latin America monthly imports increased. Asia and Middle East & Africa monthly imports decreased.

- Celebrating hard work at the Best Site Cup Awards.



- Fonterra New Zealand milk collections for the first month of the 2023/24 season were 14.7 million kgMS, less than 1% of the full season forecast.
- Fonterra Australia milk collections for June were 6.5 million kgMS, up 0.2% on June the prior season.

## Key Dates



Late August 2023  
Capital Return Payment to Shareholders and Unit Holders

21 September 2023  
FY23 Annual Results Announcement



## New Zealand starts new season. Australia and EU monthly production increased, US flat

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

### NEW ZEALAND

**1.8%↓**

Change for June 2023 compared to June 2022

**0.5%↓**

Change for the 12 months to June 2023

**New Zealand<sup>1</sup> milk production** was down 1.8% on a litres basis, (down 0.4% 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 0.5% lower compared to the previous comparable period. Fonterra New Zealand collections are reported for June, see page 5 for details.

### AUSTRALIA

**1.6%↑**

Change for May 2023 compared to May 2022

**5.6%↓**

Change for the 12 months to May 2023

**Australia milk production** increased 1.6% in May compared to the same period the year prior. Soil moisture levels have supported pasture growth in May. Australia milk production for the 12 months to May was 5.6% lower compared to the previous comparable period. Fonterra collections in Australia are reported for June, see page 5 for details.

### EUROPEAN UNION

**0.3%↑**

Change for April 2023 compared to April 2022

**0.5%↑**

Change for the 12 months to April 2023

**EU milk production<sup>2</sup>** increased 0.3% in April year-on-year. The production increase was driven primarily by Germany, Netherlands and Poland, partially offset by decreases in France and Italy. EU milk production for the 12 months to April was up 0.5% on the previous comparable period. Increases in Germany, the Netherlands, Poland and Belgium were partially offset by declines in France, Italy and Spain.

### USA

**0.0%**

Change for June 2023 compared to June 2022

**0.8%↑**

Change for the 12 months to June 2023

**US milk production** was flat in June compared to the same period the year prior. Increased production in the Midwest region was offset by a decrease in the Southwest, resulting in flat production year-on-year. Milk production for the 12 months to June increased 0.8% on the previous comparable period.

<sup>1</sup> New Zealand production is measured in litres.

<sup>2</sup> Excludes UK.



# New Zealand monthly exports increased. Australia, EU and US exports continue to decrease

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

## NEW ZEALAND

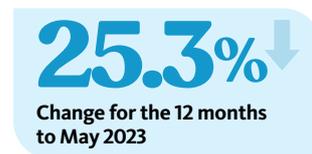
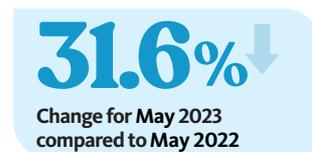


**Total New Zealand dairy exports** increased 22.4%, or 56,336 MT, in June compared to the same period the year prior.

The increase was driven by WMP, cheese and SMP. WMP exports increased due to China and Algerian tender fulfilments. SMP exports to China were more than double compared to the same period the year prior. Cheese exports to China hit a new record high compared to the prior year.

Exports for the 12 months to June were up 6.0%, or 197,938 MT, on the previous comparable period. This was driven by increases in SMP, butter, AMF and cheese partially offset by decreases in WMP.

## AUSTRALIA



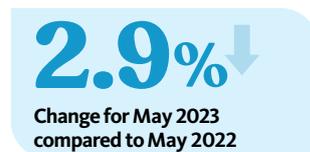
**Australia dairy exports** decreased 31.6%, or 24,767 MT, in May compared to the same period the year prior.

The decrease in exports was driven by lower volumes of fluid milk products, cheese and SMP.

Exports for the 12 months to May were down 25.3%, or 237,486 MT, on the previous comparable period.

This was predominantly driven by decreases in fluid milk products, WMP, SMP, and cheese.

## EUROPEAN UNION

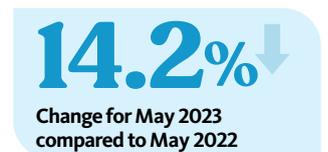


**EU dairy exports** decreased 2.9%, or 16,494 MT, in May compared to the same period the year prior.

The decrease was driven by lower volumes of infant formula to China. This was partially offset by an increase in export volumes of SMP and fluid milk products.

Exports for the 12 months to May were down 6.0%, or 405,070 MT, on the previous comparable period. This was driven by declines in fluid milk products, cheese and WMP, partially offset by increases in infant formula, SMP and cultured products.

## USA



**US dairy exports** decreased 14.2%, or 39,174 MT, in May compared to the same period the year prior.

The decrease was driven by lower export volumes of WMP and SMP to Malaysia and Indonesia, and cheese to Japan and Korea.

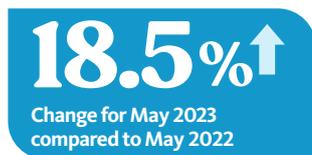
Exports for the 12 months to May were up 2.6%, or 71,422 MT, on the previous comparable period. This was driven by lactose, cheese, whey and WPC, partially offset by declines in SMP.



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

## China and Latin America monthly imports increased. Asia and Middle East & Africa monthly imports decreased

### LATIN AMERICA

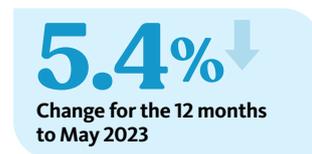
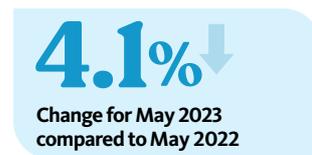


**Latin America dairy import volumes<sup>1</sup>** increased 18.5%, or 32,063 MT, in May compared to the same period the year prior.

The increase was driven by higher imported volumes of WMP by Brazil, and SMP and cheese by Mexico.

Imports for the 12 months to May were up 13.4%, or 280,805 MT, on the previous comparable period, driven by higher volumes of WMP, SMP, cheese and AMF.

### ASIA

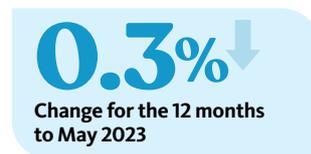
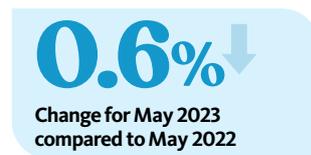


**Asia (excluding China) dairy import volumes<sup>1</sup>** decreased 4.1%, or 18,699 MT, in May compared to the same period the year prior.

The decrease was driven by lower import volumes of WMP, SMP and infant formula, partially offset by an increase in whey, butter and cultured products.

Imports for the 12 months to May were down 5.4%, or 276,078 MT, on the previous comparable period. This was driven by lower import volumes of WMP, SMP, cheese and AMF.

### MIDDLE EAST & AFRICA

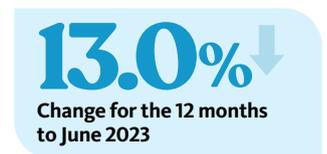


**Middle East and Africa dairy import volumes<sup>1</sup>** decreased 0.6%, or 2,636 MT, in May compared to the same period the year prior.

The decrease was driven by lower import volumes of fluid dairy products and cheese by Iraq. This was partially offset by an increase in import volumes of WMP and SMP by United Arab Emirates.

Imports for the 12 months to May were down 0.3%, or 16,640 MT, on the previous comparable period. This was driven by a decline in fluid milk products and cultured products, partially offset by an increase in SMP and infant formula.

### CHINA



**China dairy import volumes** increased by 12.4%, or 31,797 MT, in June compared to the same period the year prior.

The increase was driven by higher import volumes of lactose from the US and the EU, cheese from New Zealand and EU, and butter from New Zealand. This was partially offset by a decrease in demand for whey and infant formula.

Imports for the 12 months to June were down 13.0%, or 481,301 MT, on the previous comparable period driven by a decline in WMP and fluid milk products.

<sup>1</sup> Estimates are included for those countries that have not reported data.

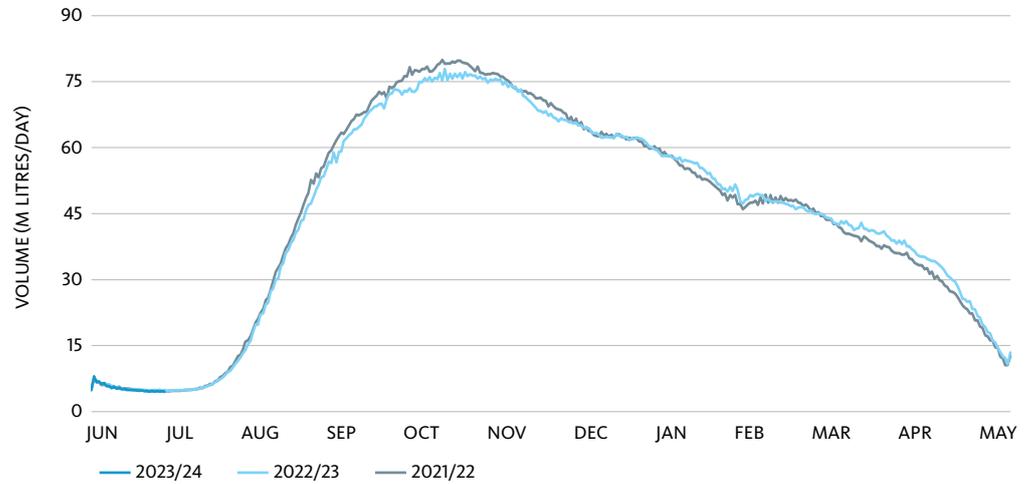
OUR MARKETS

# 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 Collections



### NEW ZEALAND

**1.2%** ↓

Change for June 2023 compared to June 2022

**1.2%** ↓

Season-to-date 1 June to 30 June

**Fonterra's New Zealand collections** for June were 14.7 million kgMS, 1.2% behind June last season.

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

Higher than usual collections from the South Island were partially offset by slightly lower collections in the North Island.

Farms are now preparing for calving and ensuring animal conditions and pasture covers are strong going into late winter.

### NORTH ISLAND

**3.2%** ↓

Change for June 2023 compared to June 2022

**3.2%** ↓

Season-to-date 1 June to 30 June

**North Island** milk collections in June were 11.1 million kgMS, 3.2% behind June last season.

Weather was mixed in June, with continued rain in the North Island causing lower pasture utilisation in preparation for calving.

### SOUTH ISLAND

**5.2%** ↑

Change for June 2023 compared to June 2022

**5.2%** ↑

Season-to-date 1 June to 30 June

**South Island** milk collections in June were 3.6 million kgMS, 5.2% ahead of last June.

The South Island has had normal weather patterns for this time of the season compared to last year.

### AUSTRALIA

**0.2%** ↑

Change for June 2023 compared to June 2022

**0.3%** ↑

For the 2022/23 Season compared to the previous season

**Fonterra's Australia collections** for June were 6.5 million kgMS, a 0.2% increase on June last season.

Collections increased in June mainly due to the recruitment of additional farms in the F23 season. This was partially offset by higher-than-average rainfall for June across much of Northern/Western Victoria and Tasmania, impacting production.

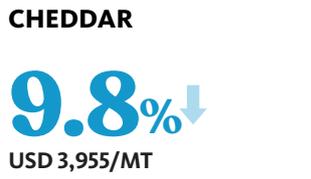
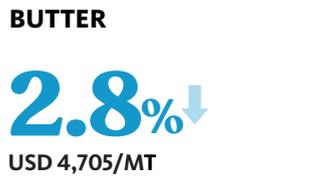
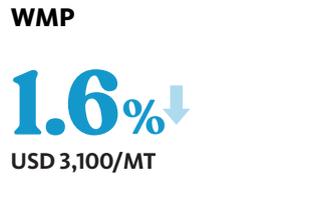
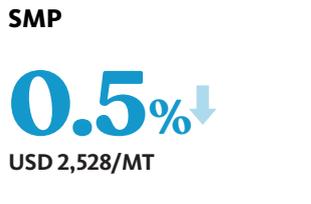
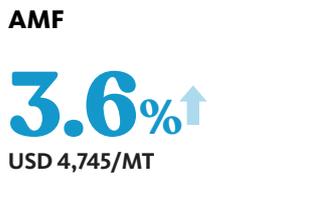
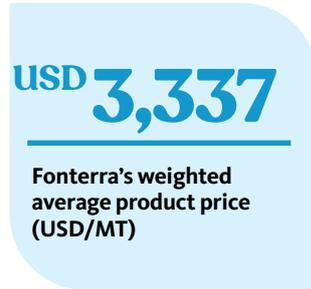
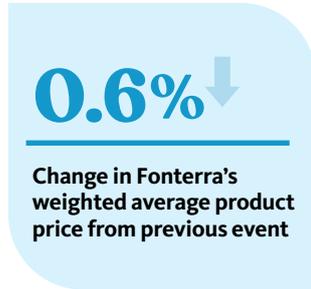
Fonterra collections across Australia for the full season were 105.8 million kgMS, a 0.3% increase on last season.

OUR MARKETS

# Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event  
**18 July 2023:**

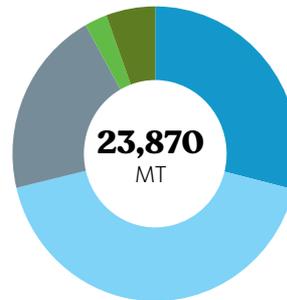


Fonterra GDT sales by destination:

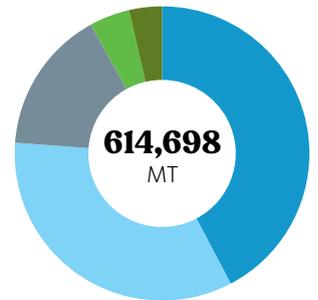
To view more information, including a snapshot of the rolling year-to-date results –



LATEST AUCTION



FINANCIAL YEAR-TO-DATE



► The next trading event will be held on 1 August 2023. Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information.

## Dairy commodity prices and New Zealand dollar trend

Risk appetite across financial markets has improved in recent months as central bank policies designed to tame inflation continue to gain traction. The result has been an extended period of stability in many asset classes, including foreign exchange. The NZD/USD exchange rate remained range-bound between 61 and 64 US cents.



# Our Performance



## Fonterra increases emissions reduction ambitions

On Thursday 20 July, Fonterra announced a lift in its decarbonisation ambition with a new Scope 1&2 emissions reduction target which will be achieved by bringing forward some of its work to get out of coal.

Fonterra CEO Miles Hurrell says the Co-op is targeting a 50% absolute reduction in Scope 1&2 emissions by 2030, from a 2018 baseline, an increase on its previous target of a 30% reduction by 2030. "Fonterra's Scope 1&2 emissions largely come from our manufacturing operations and supply chain. Strengthening our emissions reduction target supports our ambition to be net zero by 2050," says Mr Hurrell.

Achieving the new target will require Fonterra to continue to undertake energy efficiency improvements and fuel switching to renewable energy source activities across its milk collection fleet and manufacturing sites, with a focus on the six where it uses coal.

To do this, Fonterra is forecasting an investment of \$790 million, including a government contribution of

up to \$90 million through the Government Investment in Decarbonising Industry (GIDI) fund.

"As a Co-op, Fonterra understands how we can achieve more by working together. The addition of government funding enables us to lift our 2030 ambition to reduce Scope 1&2 emissions by 50% and optimise our process to get out of coal by 2037.

"Our decarbonisation plan will see us explore multiple technologies to ensure the most efficient phase out of coal and transition to renewable energy across our manufacturing sites, while building resilience into our operations.

"We are already well underway with shifting our manufacturing operations to renewable energy sources. Over the past five years, we have carried out decarbonisation projects at five different sites and we're looking forward to continuing this momentum.

"We're currently assessing biomass, electrification and heat pump technology

at our Clandeboye and Edendale sites. We see these technologies as the best solutions possible at this stage.

"Accelerating our plans will help Fonterra continue to present our customers with the world's lowest carbon dairy at scale. It will also contribute to New Zealand meeting its climate targets while delivering benefits across regional New Zealand, such as job opportunities in local communities," says Mr Hurrell.

The Co-op is currently talking with farmers about a Scope 3 emissions target, which will be announced shortly.

Fonterra's climate targets are aligned to the Science Based Target initiative, which means they're aligned to limiting global warming to 1.5 degrees. The process of seeking accreditation is underway.

[A map of Fonterra's current and future decarbonisation projects is available –](#)





## Celebrating hard work at the Best Site Cup Awards

On Thursday 22 June, almost 200 representatives from Fonterra's manufacturing sites across New Zealand came together to celebrate their achievements at the annual Best Site Cup awards.

Following virtual events over previous years, it was wonderful for the sites to celebrate their successes in-person this year, in Auckland.

Fonterra's manufacturing sites employ 7000 people from 26 communities across New Zealand. They work hard every day to transform Fonterra farmers' milk into a variety of products that are beloved nationally and internationally.

The Best Site Cup awards are a great opportunity to take the time to recognise the effort teams have put in and highlight their achievements.

Southland's Edendale site was the big winner of the night, securing Best Large Site Cup, Quality Cup, and the Japan Protein Award. Edendale's strong quality results and food safety culture gave them the winning edge for the Best Large Site Cup. The award also recognised the site's dedication to their people – for instance, Edendale facilitates a women's lean-in group, which is an opportunity for the women of Edendale to meet regularly and support one another to achieve their goals.

Central North Island site, Pahiatua, was awarded the Best Medium Site Cup in recognition of their great focus on people and culture, community engagement,

and consistency in producing high spec products.

A reduction in waste to landfill by more than 30% helped the Central North Island's Reporoa scoop the Sustainability Cup along with the highly coveted Best Small Site.

Alan van der Nagel, Fonterra's Director of New Zealand Manufacturing, says all 26 sites should be incredibly proud of work they have achieved over the past year. "Our team has been unflappable. The last year hasn't been easy – it's

tough to juggle milk supply with unpredictable weather events and post-COVID supply chain issues, but everyone's made a huge effort."

AWARD	WINNER	RUNNER-UP
Health and Safety Cup	Studholme	Reporoa
People Cup	Kauri	Pahiatua
Sustainability Cup	Reporoa	Te Awamutu
Productivity Cup	Maungaturoto	Waitoa, Pahiatua
Quality Cup	Edendale	Brightwater
Customer Cup	Canpac	Stirling
Compliance Cup	Stirling	Takaka
Transport Award (TAMS)	Te Awamutu	Reporoa
Best Small Site	Reporoa	Stirling
Best Medium Site	Pahiatua	Te Awamutu
Best Large Site	Edendale	Darfield
Best Speciality Site	Waitoa UHT	Canpac
Director's Cup	Brightwater	
Transformation Cup	Lichfield	Eltham
Fuel Efficiency Shield	Te Rapa	Edgecumbe
Japan Cheese Cup	Lichfield	
Japan Protein Cup	Edendale MPC	
Greater China CEO Quality Star Milk Powder Plant	Pahiatua	
Greater China CEO Quality Star Cheese Plant	Clandeboye	
Greater China CEO Quality Star Butter Plant	Te Rapa	
Greater China CEO Quality Star Protein Plant	Maungaturoto	
Greater China CEO Quality Star UHT Milk and Cream Plant	Waitoa UHT	

# Supplementary Information

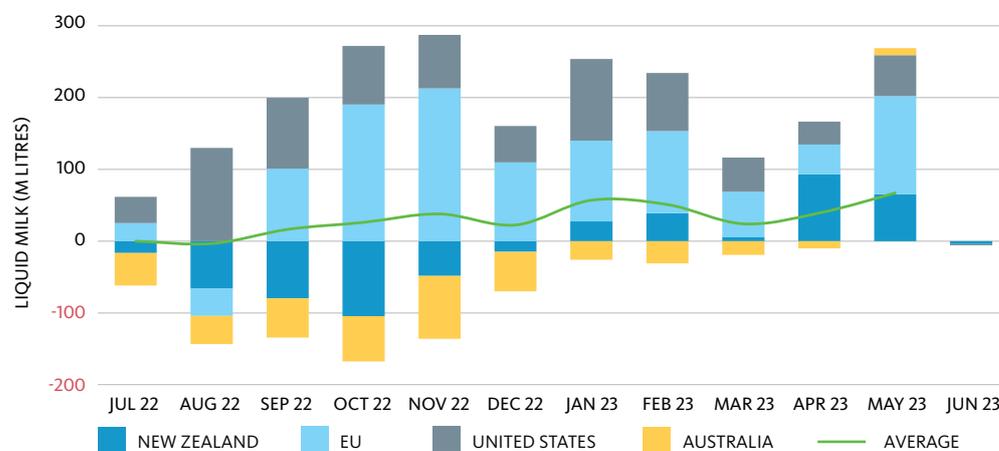
## Global Dairy Market

The charts on the right illustrate the year-on-year changes in imports, exports and production for a range of countries that are important players in global dairy trade.

The absolute size of the bars represents the change in imports, exports or production, relative to the same period the previous year.

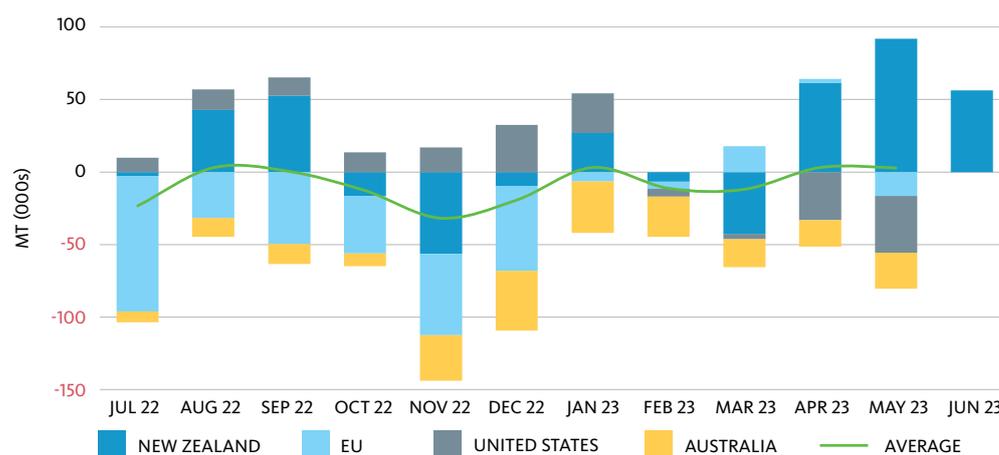
Averages are shown where data is complete for the regions presented.

### PRODUCTION



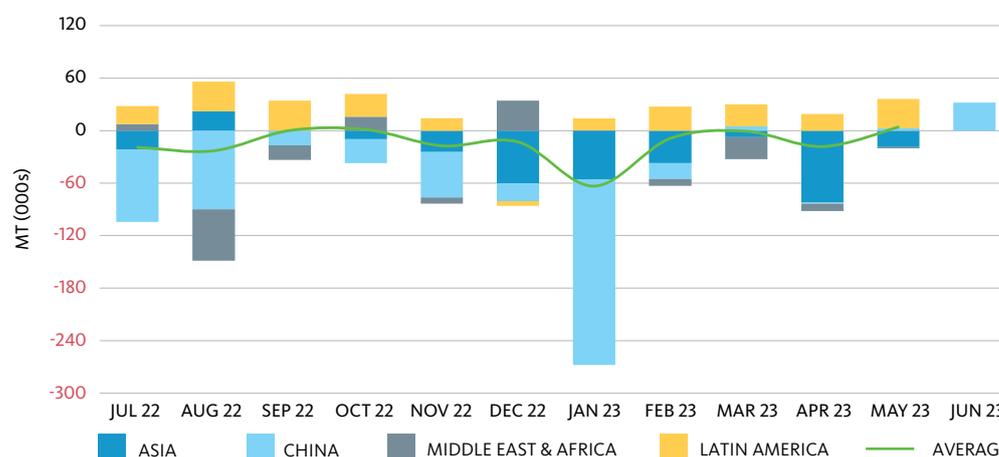
NOTE: Data for EU and Australia to May; New Zealand and US to June.

### EXPORTS



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

### IMPORTS



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

MILK COLLECTION (MILLION KGMS)	JUNE 2023	JUNE 2022	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	14.7	14.9	(1.2%)	14.7	14.9	(1.2%)
North Island	11.1	11.5	(3.2%)	11.1	11.5	(3.2%)
South Island	3.6	3.4	5.2%	3.6	3.4	5.2%
	JUNE 2023	JUNE 2022	MONTHLY CHANGE	SEASON-TO-DATE 2022/23	SEASON-TO-DATE 2021/22	SEASON-TO-DATE CHANGE
Australia	6.5	6.5	0.2%	105.8	105.5	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 (18 JULY 2023)	YEAR-TO-DATE (FROM 1 AUGUST 2022)
Quantity Sold on GDT (Winning MT)	23,870	614,698
Change in Quantity Sold on GDT over same period last year	7.6%	2.7%
Weighted Average Product Price (USD/MT)	3,337	3,598
Change in Weighted Average Product Price over same period last year	(20.4%)	(18.4%)
Change in Weighted Average Product Price from previous event	(0.6%)	-

## Fonterra GDT results

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



# Glossary

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## 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 fraîche.

## 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.