



AUGUST 2023

Global Dairy UPDATE



• New Zealand and US monthly production decreased. Australia and EU monthly production increased.

• Fonterra provided an update on FY23 earnings guidance and FY24 forecast Farmgate Milk Price.



• EU monthly exports increased. New Zealand, Australia and US monthly exports decreased.



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

• Fonterra gets behind on-farm health and safety initiative.



• Early season collections in New Zealand and Australia.

Key Dates



21 September 2023
FY23 Annual Results Announcement

9 November 2023
Fonterra Co-operative Group Annual Meeting



New Zealand and US monthly production decreased. Australia and EU monthly production increased

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

NEW ZEALAND

0.9% ↓

Change for July 2023 compared to July 2022

0.4% ↓

Change for the 12 months to July 2023

New Zealand milk production¹ was down 0.9% on a litres basis, (down 0.1% on milk solids basis) in July compared to the same period the year prior.

As is normal for this time of the season, production is typically very low and represents around 2% of the total season's production.

New Zealand milk production for the 12 months to July was down 0.4% on the previous comparable period.

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

AUSTRALIA

1.2% ↑

Change for June 2023 compared to June 2022

5.0% ↓

Change for the 12 months to July 2023

Australia milk production increased 1.2% in June compared to the same period the year prior.

Production increased year-on-year due to weather conditions in Northern Victoria and Gippsland remaining favourable.

Australia milk production for the 12 months to June was down 5.0% on the previous comparable period

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

EUROPEAN UNION

0.0%

Change for June 2023 compared to June 2022

0.8% ↑

Change for the 12 months to July 2023

EU milk production² in June was in line with June the year prior.

Production increased in Germany, Poland and the Netherlands. This was offset by decreases in France and Italy.

EU milk production for the 12 months to June was up 0.8% on the previous comparable period.

The production increase was mainly due to Germany, Netherlands and Poland, and partially offset by decreases in France, Italy and Spain.

USA

0.6% ↓

Change for July 2023 compared to July 2022

0.7% ↑

Change for the 12 months to July 2023

US milk production decreased 0.6% in July compared to the same period the year prior.

Declining yields and cow numbers resulted in a decline in production year-on-year.

Milk production for the 12 months to July increased 0.7% on the previous comparable period.

¹ New Zealand production is measured in litres.

² Excludes UK.



EU monthly exports increased. New Zealand, Australia and US monthly exports decreased

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

NEW ZEALAND

6.8% ↓

Change for July 2023 compared July 2022

5.2% ↑

Change for the 12 months to July 2023

Total New Zealand dairy exports decreased 6.8%, or 18,527 MT, in July compared to the same period the year prior.

The decrease was mainly due to lower exported volumes of WMP and SMP to China and Southeast Asia.

Exports for the 12 months to July were up 5.2%, or 172,465 MT, on the previous comparable period. This was mainly due to increases in SMP, cheese, AMF, butter and cultured products, partially offset by decreases in WMP.

AUSTRALIA

35.0% ↓

Change for June 2023 compared to June 2022

28.5% ↓

Change for the 12 months to June 2023

Australia dairy exports decreased 35.0%, or 26,110 MT, in June compared to the same period the year prior.

The decrease in exports continued the trend over the past seven months and was mainly due to lower exported volumes of fluid milk products, SMP and cheese.

Exports for the 12 months to June were down 28.5%, or 269,249 MT, on the previous comparable period.

This was mainly due to lower exported volumes of fluid milk products, SMP, cheese and WMP.

EUROPEAN UNION

2.6% ↑

Change for June 2023 compared to June 2022

4.3% ↓

Change for the 12 months to June 2023

EU dairy exports increased 2.6%, or 17,210 MT, in June compared to the same period the year prior.

The increase was mainly due to higher volumes of SMP and WMP. This was partially offset by a decrease in export volumes of fluid milk products.

Exports for the 12 months to June were down 4.3%, or 491,759 MT, on the previous comparable period. This was mainly due to lower exported volumes of fluid milk products, cheese and WMP, partially offset by higher volumes of infant formula, SMP and cultured products.

USA

14.6% ↓

Change for June 2023 compared to June 2022

0.2% ↑

Change for the 12 months to June 2023

US dairy exports decreased 14.6%, or 38,647 MT, in June compared to the same period the year prior.

The decrease was mainly due to lower volumes of whey to China, cheese to South Korea and fluid milk products and butter to Canada.

Exports for the 12 months to June were up 0.2%, or 6,563 MT, on the previous comparable period. This was mainly due to higher exported volumes of lactose, WPC and MPC, and partially offset by lower volumes of fluid milk products and SMP.



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

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

LATIN AMERICA

8.4%↑

Change for June 2023 compared to June 2022

13.0%↑

Change for the 12 months to June 2023

Latin America dairy import volumes¹ increased 8.4%, or 16,341 MT, in June compared to the same period the year prior.

The increase was mainly due to higher volumes of WMP by Brazil, and WPC by Chile.

Imports for the 12 months to June were up 13.0%, or 275,279 MT, on the previous comparable period, mainly due to higher volumes of WMP, SMP, cheese and AMF.

ASIA

5.6%↓

Change for June 2023 compared to June 2022

6.3%↓

Change for the 12 months to June 2023

Asia (excluding China) dairy import volumes¹ decreased 5.6%, or 25,610 MT, in June compared to the same period the year prior.

The decrease was mainly due to lower volumes of SMP, infant formula and lactose, partially offset by an increase in WMP and whey.

Imports for the 12 months to June were down 6.3%, or 327,180 MT, on the previous comparable period. This was mainly due to lower volumes of SMP, fluid milk products, cheese and WMP.

MIDDLE EAST & AFRICA

4.9%↑

Change for June 2023 compared to June 2022

0.8%↓

Change for the 12 months to June 2023

Middle East and Africa dairy import volumes¹ increased 4.9%, or 22,365 MT, in June compared to the same period the year prior.

The increase was mainly due to higher volumes of SMP to Algeria and Saudi Arabia, and WMP to Algeria and United Arab Emirates. This was partially offset by lower volumes of fluid milk products to Iraq and United Arab Emirates.

Imports for the 12 months to June were down 0.8%, or 46,462 MT, on the previous comparable period. This was mainly due to lower volumes of fluid milk products, cultured products, cheese and butter, and partially offset by higher volumes of SMP and infant formula.

CHINA

3.2%↓

Change for July 2023 compared to July 2022

11.2%↓

Change for the 12 months to July 2023

China dairy import volumes¹ decreased by 3.2%, or 8,471 MT, in July compared to the same period the year prior.

The decrease was driven by lower import volumes of infant formula and fluid milk products due to excess domestic supply. This was partially offset by an increase in demand for WMP and cheese, but WMP from the prior period was a relatively weaker amount.

Imports for the 12 months to July were down 11.2%, or 406,876 MT, on the previous comparable period mainly due to a decline in fluid milk products and WMP, partially offset by whey.

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

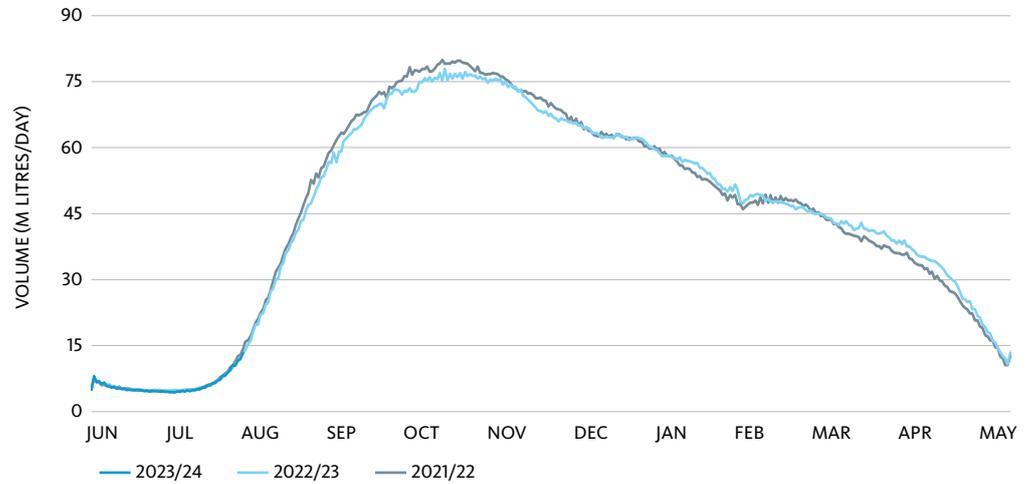
OUR MARKETS

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 Collections



NEW ZEALAND

0.9% ↓

Change for July 2023 compared to July 2022

0.9% ↓

Season-to-date 1 June to 31 July

Fonterra's New Zealand collections for July were 18.9 million kgMS, 0.9% behind July last season.

As is normal for this time of the season, collections for July represent less than 2% of the full season forecast.

July production was slightly behind previous seasons, with lower collections in both the North and South Island.

Total season-to-date collections were 33.6 million kgMS, 0.9% behind last season.

Farms are now preparing for calving and aiming for good animal conditions and pasture cover.

NORTH ISLAND

0.8% ↓

Change for July 2023 compared to July 2022

1.6% ↓

Season-to-date 1 June to 31 July

North Island milk collection in July was 17.1 million kgMS, 0.8% behind July last season.

Total season-to-date collections were 28.2 million kgMS, 1.6% behind last season.

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

SOUTH ISLAND

2.0% ↓

Change for July 2023 compared to July 2022

2.7% ↑

Season-to-date 1 June to 31 July

South Island milk collection in July was 1.8 million kgMS, 2.0% behind July last season.

Total season-to-date collections were 5.4 million kgMS, 2.7% ahead of last season.

The South Island has had normal weather patterns for this time of the season.

AUSTRALIA

6.3% ↑

Change for July 2023 compared to July 2022

6.3% ↑

Season-to-date 1 July to 31 July

Fonterra's Australia collections for the first month of the new season were 5.6 million kgMS, 6.3% ahead on July last season.

Collections increased in July mainly due to the recruitment of additional farms in the 2022/23 season, additional third party volumes and a return to normal weather patterns.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event
15 August 2023:



CHEDDAR



BUTTER



SMP



AMF



WMP

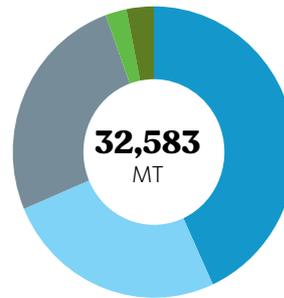


Fonterra GDT sales by destination:

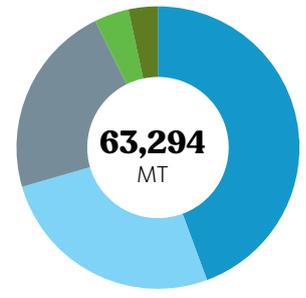


To view more information, including a snapshot of the rolling year-to-date results –

LATEST AUCTION



FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 5 September 2023. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Sentiment across financial markets has been balanced between a surprisingly resilient US economy and a lacklustre economic scorecard from China, with the NZD being more affected by the latter and the associated weakness of the Chinese Yuan. Furthermore, New Zealand's own insipid economic performance, together with weakening prices for our primary products exports, also weighed on the exchange rate – the NZD fell to below 60 US cents.



Our Performance



Fonterra provided an update on FY23 earnings guidance and FY24 forecast Farmgate Milk Price

On Friday 11 August Fonterra Co-operative Group provided an update on its forecast normalised earnings for FY23 and full year dividend.

CEO Miles Hurrell says while the Co-op is still in the process of finalising and having its FY23 numbers audited, it expects to end the year at the top end of its forecast range of 65-80 cents per share.

“Fonterra has reported strong earnings through FY23 off the back of favourable Ingredients margins. As we close out our books, we’re in a position to provide further guidance on where we expect to end the year.

“Furthermore, we expect to pay a full year dividend at the top end of our dividend policy, which is 40-60% of

normalised earnings,” says Mr Hurrell.

The full year dividend comprises the interim dividend of 10 cents per share already paid, plus the final dividend expected to be paid in October.

Fonterra will confirm its final FY23 earnings and full year dividend when it reports its financial results in September.

On Friday 18 August Fonterra Co-operative Group reduced its 2023/24 season forecast Farmgate Milk Price range from \$6.25-\$7.75 per kgMS, with a midpoint of \$7.00 per kgMS, to \$6.00-\$7.50 per kgMS with a midpoint of \$6.75 per kgMS.

Fonterra CEO Miles Hurrell says Global Dairy Trade (GDT) prices have continued to fall since it revised its Farmgate Milk Price earlier this month, requiring the Co-op to reduce its midpoint by a further 25 cents.

“GDT prices have fallen sharply since we released our opening forecast for the season in May, with the

overall index down 16% over that period.

“While our wide forecast range assumed movement in GDT prices, whole milk powder prices fell 10.9% in the most recent trading event requiring us to revise our position again.

“Reduced demand from key importing regions for whole milk powder is continuing to weigh on prices. While indications are demand will start to return over the second half of FY24, we do expect the pace of demand growth to be subdued relative to initial expectations.

“In the meantime, we will continue to respond to market signals and adjust our forecast Farmgate Milk Price to ensure that the impact of current prices and currency movements is transparent.

“This is a challenging time for New Zealand’s dairy farmers and the Co-op is doing all it can to support its farmers,” says Mr Hurrell.





Fonterra gets behind on-farm health and safety initiative



Fonterra is joining with other organisations across New Zealand's agricultural sector to get behind a new initiative aimed at ensuring better health and safety outcomes for farming communities.

Farm Without Harm is an industry-wide strategy and action plan to drive practical changes that prevent physical and mental harm to those working on farms. It has been developed by the Agricultural Leaders' Health and Safety Action Group (Safer Farms), which Fonterra has been an active member of for the past few years, and includes a pledge that organisations and farmers can sign to show their commitment to the cause.

Anne Douglas, Group Director for Fonterra Farm Source, says a number of Co-op leaders have signed the pledge including CEO Miles Hurrell and the team that manage Fonterra-owned farms.

"We're fully supportive of this initiative because nothing is more important than people getting home from work safely each day," says Douglas.

"Unfortunately there's still too many injuries and fatalities happening on farms across Aotearoa, so we need a concerted and collective effort to address this."

Fonterra's General Manager of Farming Operations Matthew Roach says it's important to lead by example. "We've got our own



Fonterra farms across the country – predominantly in and around our manufacturing sites – and we take our responsibilities seriously in terms of managing the risks and hazards we have on farm to make sure people go home safe," says Roach.

Safer Farms Chair Lindy Nelson says the cost of producing food in New Zealand is too high, with 13 farmers losing their lives on farms last year and more than 2,000 suffering serious injuries that forced them off work for a week or more.

Douglas says that as the farmer-facing part of the Co-op it's important for Farm Source to work closely with Safer Farms.

"We want to play our part to deliver the outcomes this Farm Without Harm strategy is aiming to achieve. Working in a coordinated way across the industry often leads to the best results," adds Douglas.

Like all parts of the Co-operative, Farm Source puts considerable effort and focus on health and safety.

Having a Health and Safety Plan is a critical part of Fonterra's farmer recognition framework known as The Co-operative Difference.

There are also minimum standards that are set out in the terms and conditions of supply that farmers need to meet and which are communicated with them each year.

The Farm Source team work alongside farmers, providing tailored support to help them meet the standards.

Farm Source is also currently in the middle of a three-year collaboration with the Rural Support Trust to improve access to well-being and resilience services for farming families.

[To learn more about Farm Without Harm –](#)

Supplementary Information

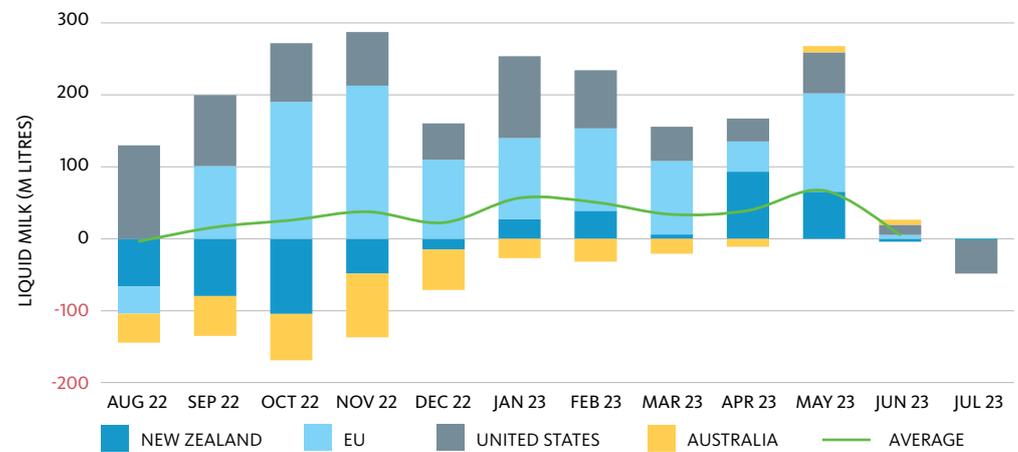
Global Dairy Market

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.

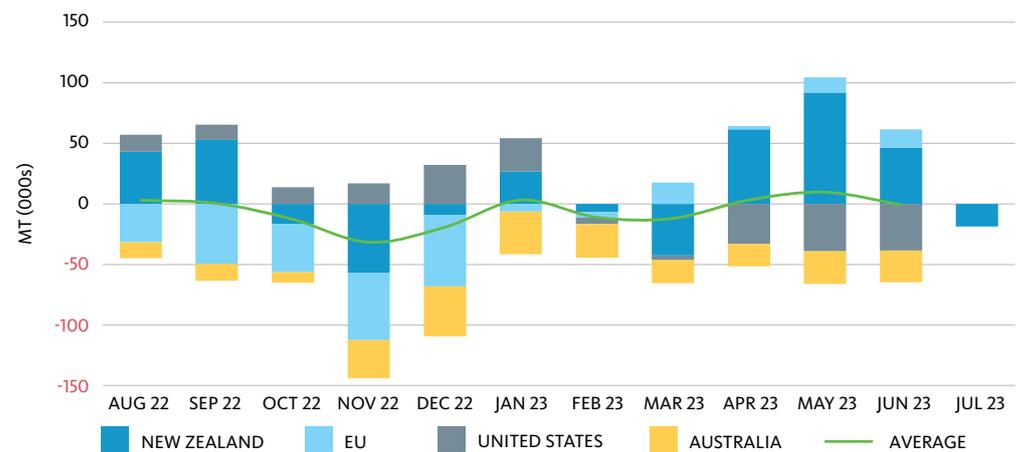
Averages are shown where data is complete for the regions presented.

PRODUCTION



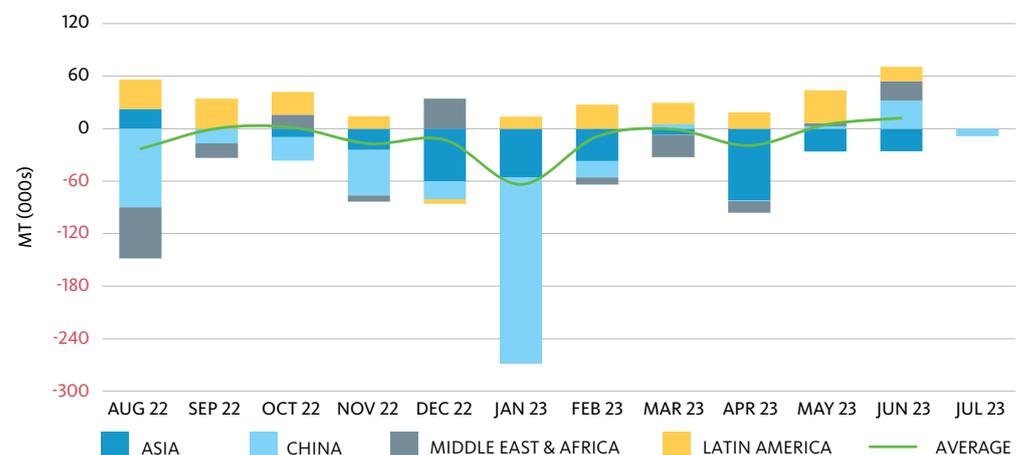
NOTE: Data for EU and Australia to June; New Zealand and US to July.

EXPORTS



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

IMPORTS



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

MILK COLLECTION (MILLION KGMS)	JULY 2023	JULY 2022	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	18.9	19.0	(0.9%)	33.6	33.9	(0.9%)
North Island	17.1	17.2	(0.8%)	28.2	28.7	(1.6%)
South Island	1.8	1.8	(2.0%)	5.4	5.2	2.7%
Australia	5.6	5.3	6.3%	5.6	5.3	6.3%

Fonterra GDT results

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

	LAST TRADING EVENT (15 AUGUST 2023)	YEAR-TO-DATE (FROM 1 AUGUST 2023)
Quantity Sold on GDT (Winning MT)	32,583	63,294
Change in Quantity Sold on GDT over same period last year	11.4%	12.8%
Weighted Average Product Price (USD/MT)	2,889	3,010
Change in Weighted Average Product Price over same period last year	(23.6%)	(21.8%)
Change in Weighted Average Product Price from previous event	(8.0%)	-

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.

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.