



SEPTEMBER 2023

Global Dairy UPDATE



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



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



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



- Fonterra New Zealand milk collections in August were 89.5 million kgMS, down 2.6% on August last season.
- Fonterra Australia milk collections in August were 6.8 million kgMS, down 1.4% on August last season.



- On 21 September Fonterra announced its FY23 Annual Results and a strong full year dividend.

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



- Fonterra's Edgecumbe site turns 100.

Key Dates



9 November 2023
Fonterra Co-operative Group Annual Meeting

13 November 2023
Fonterra Shareholders' Fund Annual Meeting

December 2023
FY24 Q1 Business Update



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

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

NEW ZEALAND

2.1% ↓

Change for August 2023 compared to August 2022

0.2% ↓

Change for the 12 months to August 2023

New Zealand milk production

was down 2.1% on a litres basis (down 0.9% on milk solids basis) in August compared to the same period the year prior.

The decrease was due to lower collections in the North Island partially offset by stronger milk collections in the South Island.

New Zealand milk production for the 12 months to August was down 0.2% on the previous comparable period.

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

AUSTRALIA

0.2% ↑

Change for July 2023 compared to July 2022

4.5% ↓

Change for the 12 months to July 2023

Australia milk production

increased 0.2% in July compared to the same period the year prior.

Despite less than average rainfall in most regions, production increased due to the prior year being lower compared to normal.

Australia milk production for the 12 months to July was down 4.5% on the previous comparable period.

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

EUROPEAN UNION

0.2% ↑

Change for July 2023 compared to July 2022

0.8% ↑

Change for the 12 months to July 2023

EU milk production¹

increased 0.2% in July compared to the same period the year prior.

The production increase was driven by Germany, Poland, the Netherlands, Spain and Belgium. This was partially offset by France and Italy.

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

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

USA

0.2% ↓

Change for August 2023 compared to August 2022

0.6% ↑

Change for the 12 months to August 2023

US milk production

decreased 0.2% in August compared to the same period the year prior.

Smaller herd numbers and marginally lower milk yield resulted in a decline in production year-on-year.

Milk production for the 12 months to August increased 0.6% on the previous comparable period.

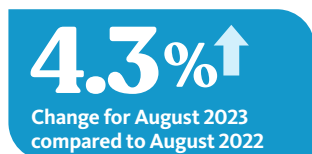
¹ Excludes UK.



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

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

NEW ZEALAND

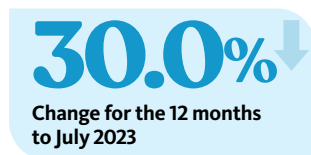
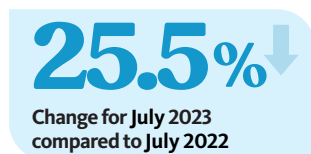


Total New Zealand dairy exports increased 4.3%, or 7,307 MT, in August compared to the same period the year prior.

The increase in exports was mainly due to SMP to China and Singapore, and fluid milk products and butter to China.

Exports for the 12 months to August increased 4.0%, or 132,618 MT, on the previous comparable period. This was mainly due to increased exports of SMP, cheese, butter and AMF, and partially offset by reduced exports of WMP.

AUSTRALIA



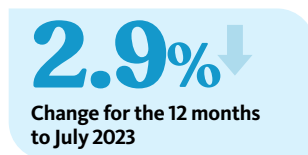
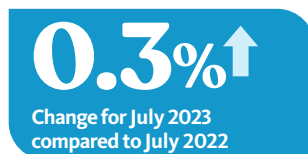
Australia dairy exports decreased 25.5%, or 17,949 MT, in July compared to the same period the year prior.

The year-on-year decrease in exports continued the trend over the past 13 months, with lower exported volumes of fluid milk products.

Exports for the 12 months to July were down 30.0%, or 281,125 MT, on the previous comparable period.

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

EUROPEAN UNION

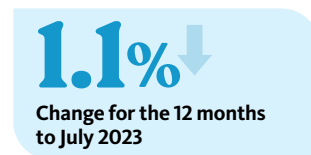
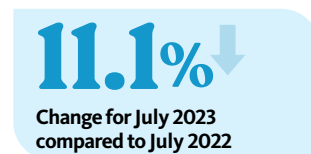


EU dairy exports increased 0.3%, or 1,704 MT, in July compared to the same period the year prior.

The increase was mainly due to higher export volumes of SMP and WMP. This was partially offset by lower export volumes of infant formula, lactose and fluid milk products.

Exports for the 12 months to July were down 2.9%, or 193,036 MT, on the previous comparable period. This was mainly due to lower volumes of fluid milk products to China.

USA



US dairy exports decreased 11.1%, or 27,009 MT, in July compared to the same period the year prior.

The decrease was mainly due to lower whey and WPC demand from China, and butter from Bahrain.

Exports for the 12 months to July were down 1.1%, or 30,448 MT, on the previous comparable period.

This was mainly due to lower exports of fluid milk products and whey, and partially offset by higher volumes of lactose.



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

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

LATIN AMERICA

11.3%↑

Change for July 2023 compared to July 2022

12.9%↑

Change for the 12 months to July 2023

Latin America dairy import volumes¹ increased 11.3%, or 20,697 MT, in July compared to the same period the year prior.

The increase was mainly due to higher volumes of WMP by Brazil, and SMP by Mexico.

Imports for the 12 months to July were up 12.9%, or 276,789 MT, on the previous comparable period.

This was mainly due to higher volumes of WMP, SMP, cheese and AMF.

ASIA

1.5%↑

Change for July 2023 compared to July 2022

6.4%↓

Change for the 12 months to July 2023

Asia (excluding China) dairy import volumes¹ increased 1.5%, or 6,121 MT, in July compared to the same period the year prior.

The increase was mainly due to higher import volumes of SMP by Malaysia, Bangladesh and the Philippines. This was partially offset by lower import volumes of fluid milk products by Taiwan and Afghanistan.

Imports for the 12 months to July were down 6.4%, or 324,957 MT, on the previous comparable period.

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

MIDDLE EAST & AFRICA

15.5%↑

Change for July 2023 compared to July 2022

0.1%↓

Change for the 12 months to July 2023

Middle East and Africa dairy import volumes¹ increased 15.5%, or 66,305 MT, in July 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.

Imports for the 12 months to July were down 0.1%, or 6,979 MT, on the previous comparable period.

This was mainly due to lower volumes of fluid milk products, cheese and cultured products. This was partially offset by higher volumes of SMP.

CHINA

10.7%↓

Change for August 2023 compared to August 2022

9.8%↓

Change for the 12 months to August 2023

China dairy import volumes decreased by 10.7%, or 28,954 MT, in August compared to the same period the year prior.

The decrease was driven by lower import volumes of whey, infant formula and SMP. This was partially offset by an increase in demand for lactose and cheese.

Imports for the 12 months to August were down 9.8%, or 345,916 MT, on the previous comparable period.

This was due to a decline in import demand of fluid milk products and WMP reflecting excess domestic supply.

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

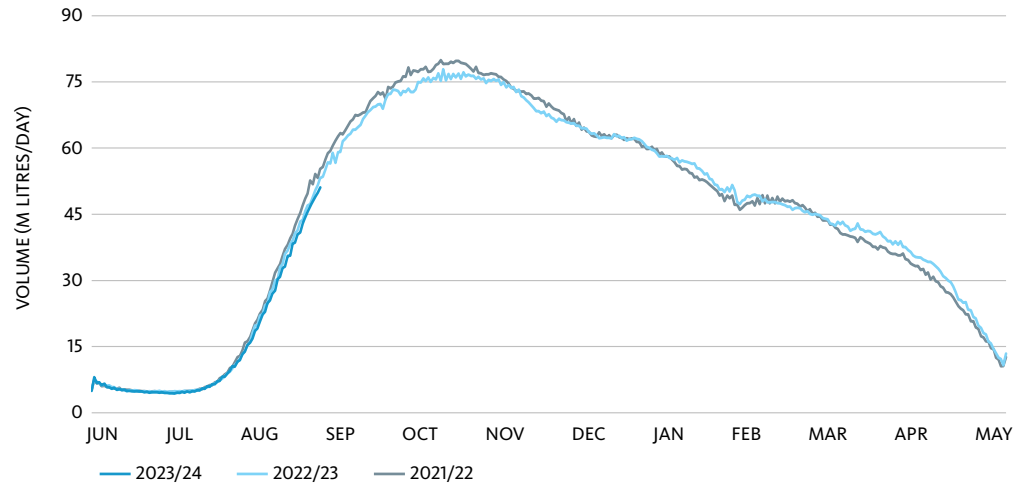
OUR MARKETS

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

2.6% ↓

Change for August 2023 compared to August 2022

2.2% ↓

Season-to-date 1 June to 31 August

Fonterra's New Zealand collections for August were 89.5 million kgMS, 2.6% behind August last season.

The decrease was due to lower collections in the North Island partially offset by stronger milk collections in the South Island.

Season-to-date collections were 123.1 million kgMS, 2.2% behind last season.

On-farm it is now calving season. Downward pressure on the milk price combined with elevated costs are impacting productivity on farm.

NORTH ISLAND

4.8% ↓

Change for August 2023 compared to August 2022

3.9% ↓

Season-to-date 1 June to 31 August

North Island milk collection in August was 64.2 million kgMS, 4.8% behind August last season.

Season-to-date collections were 92.5 million kgMS, 3.9% behind last season.

Weather was mixed in August. Rain in the North Island caused lower pasture utilisation and cover resulting in unfavourable conditions for calving.

SOUTH ISLAND

3.4% ↑

Change for August 2023 compared to August 2022

3.3% ↑

Season-to-date 1 June to 31 August

South Island milk collection in August was 25.2 million kgMS, 3.4% ahead of August last season.

Season-to-date collections were 30.6 million kgMS, 3.3% ahead of last season.

More normal weather patterns in the South Island have been conducive to strong pasture growth and milk collections.

AUSTRALIA

1.4% ↓

Change for August 2023 compared to August 2022

1.6% ↑

Season-to-date 1 July to 31 August

Fonterra's Australia collections in August were 6.8 million kgMS, 1.4% behind August last season.

Collections decreased in August mainly due to lower third-party collections.

Season-to-date collections were 12.4 million kgMS, 1.6% ahead of last season.

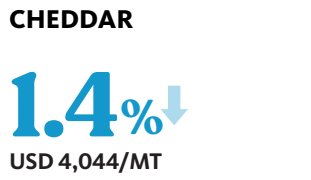
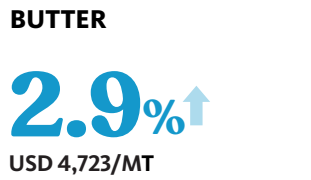
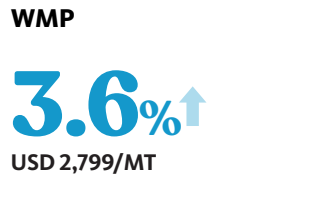
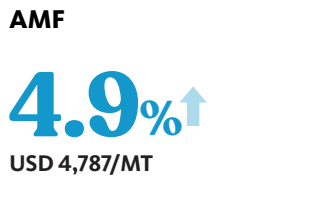
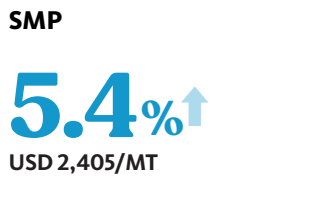
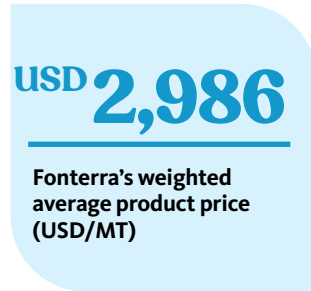
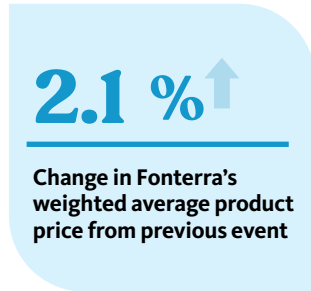
Collections improved mainly due to the recruitment of additional farms in the 2022/23 season.

OUR MARKETS

Fonterra Global Dairy Trade Results

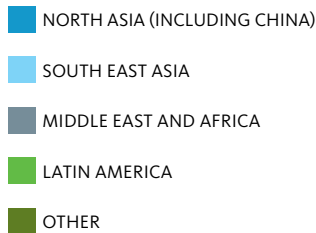


Fonterra GDT results at last trading event
19 September 2023:

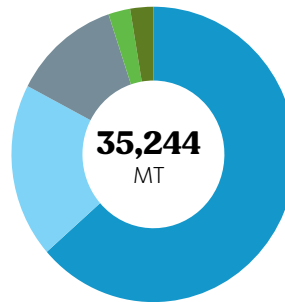


Fonterra GDT sales by destination:

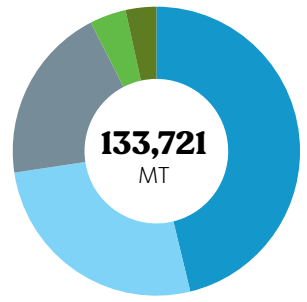
To view more information, including a snapshot of the rolling year-to-date results –



LATEST AUCTION



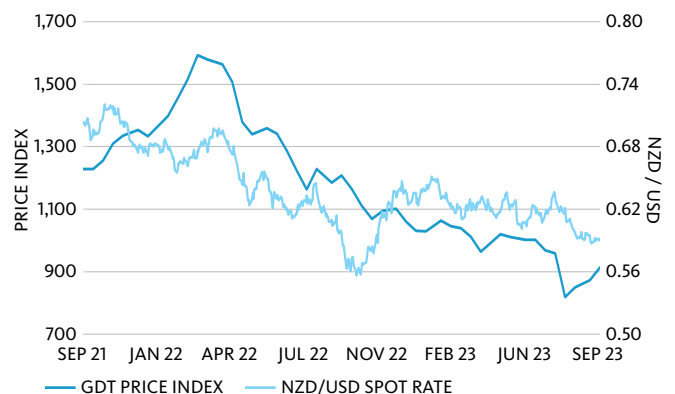
FINANCIAL YEAR-TO-DATE



► The next trading event will be held on 3 October 2023. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The USD continues to be supported by relative US economic outperformance, while ongoing weakness in the China property sector and lethargic consumer demand on the mainland weigh on the value of the Yuan. These conditions, together with continuing weakness in New Zealand's export prices, held the NZD below 60 US cents.



Our Performance



On 21 September Fonterra announced its FY23 Annual Results and a strong full year dividend

Key Points

- Full year reported earnings of 95 cents per share, up from 36 cents per share.
- Reported profit after tax of \$1.6 billion, up 170%.
- Return on Capital of 12.4%, up from 6.8%.
- Final 2022/23 season Farmgate Milk Price of \$8.22 per kgMS.
- Full year dividend of 50 cents per share, including interim dividend of 10 cents per share.
- Additional tax-free 50 cents per share capital return following divestment of Soprole.
- Full year milk collections of 1,480 million kgMS.
- Forecast 2023/24 season Farmgate Milk Price range of \$6.00-\$7.50 per kgMS, with a midpoint of \$6.75.
- Forecast 2023/24 earnings guidance range of 45-60 cents per share.

Fonterra announced its results for the financial year ending 31 July 2023, with full year reported earnings of 95 cents per share, reported profit after tax of \$1.6 billion and a final 2022/23 season Farmgate Milk Price of \$8.22 per kgMS.

Fonterra CEO Miles Hurrell says the Co-op has delivered strong earnings and made progress against key strategic initiatives in FY23, however this has been against the backdrop of a Farmgate Milk Price that has dropped across the season.

“Our 2022/23 season Farmgate Milk Price was impacted by reduced



demand for whole milk powder from key importing regions. As the financial year progressed, we saw Global Dairy Trade prices drop, with the average whole milk powder price down 16% compared to last season.

“We recognise the impact the reduced Farmgate Milk Price has on farmers’ businesses and have utilised our strong balance sheet to introduce a new Advance Rate Schedule guideline to assist on-farm cash flow.

“However, we’re pleased to be announcing a strong full year dividend of 50 cents per share – comprising an interim dividend of 10 cents per share and a final dividend of 40 cents per share.

“In addition, the Co-op returned tax free 50 cents per share to shareholders and unit holders in August, following the divestment of Soprole, giving a final cash pay-out to farmers of \$9.22 per share backed kgMS.

“Our FY23 performance demonstrates that we are focusing on the right strategic priorities. This said, we are aware that there are challenging conditions on the ground for many of our farmers,” says Mr Hurrell.

Performance

Fonterra’s reported profit after tax of \$1,577 million was up \$994 million. Excluding the net gain from divestments of \$248 million, normalised profit after tax was \$1,329 million, up \$738 million compared to the same time last year. This includes the impact of impairments and is equivalent to 80 cents per share.

The Co-op also reported a Return on Capital for the last 12 months of 12.4%, up from 6.8% in the comparable period.

“There were a number of key drivers that helped us deliver this result, including favourable margins in our Ingredients channel, in particular the cheese and protein portfolios.

“We also saw improved performance in our Foodservice channel due to increased product pricing and higher demand as Greater China’s lockdown restrictions started to ease from the start of calendar year 2023.

“Further, across the second half, the operating performance of our Consumer channel strengthened due to



improved pricing. However, we adjusted the long-term outlook for our Asia brands and Fonterra Brands New Zealand business, resulting in full year impairments of \$101 million and \$121 million respectively.

"We also recognised a gain on sale from our Chilean Soprole business of \$260 million during the year.

"Looking at our reportable segments, Core Operations reported profit after tax increased \$532 million to \$572 million, due to higher Ingredient margins.

"Global Markets' reported profit after tax was up \$77 million to \$385 million, mainly due to higher sales volumes and improved pricing. This was partially offset by the impairments in its Consumer channel.

"Greater China's reported profit increased \$11 million to \$284 million, with the Foodservice channel showing improved margins and resilience to market disruption from COVID-19. However, this was offset by the Consumer channel, which included a proportion of the Asia brands impairment.

"On the supply side, full year milk collections ended the season at 1,480 million kgMS. This is in spite of significant challenges that many farmers faced across New Zealand including rising input costs and adverse weather events in the North Island early in calendar

year 2023.

"In addition, Fonterra's balance sheet metrics are better than target levels, even after adjusting for the impact of providing for the payment of the Capital Return, with a gearing ratio of 28.8% and debt to EBITDA of 1.3x.

"Our Total Group reported operating expenses were \$2,799 million up from \$2,455 million due in large part to the impact of impairments, as well as increased costs from inflation and a one-off favourable item of \$44 million in the previous year," says Mr Hurrell.

Strategy

Fonterra released its long-term strategy in September 2021 and since then has made good progress towards its 2030 goals.

"Across FY23, we completed the divestment of China Farms and Soprole as part of our strategic choice to focus on New Zealand milk.

"As we work towards our ambition to be a leader in sustainability, we have stepped up our emissions reduction goal for the operational side of our business, introducing a target of a 50% absolute reduction in Scope 1&2 emissions by 2030, from a 2018 baseline, an increase on our previous target of a 30% reduction by 2030. We

have held discussions with our farmers on why we need to introduce a Scope 3, or on-farm emissions target, and plan to announce our target before the end of calendar year 2023.

"We're also progressing work in our innovation portfolio, including establishing our joint venture with Royal DSM, Vivici, which is exploring commercial opportunities in fermentation derived ingredients, and launching our corporate ventures arm Nutrition Science Solution (NSS), which made its first strategic investment in the form of a minority stake in Pendulum Inc, a biotech company specialising in metabolic health.

"To assist us to hit our short and long-term goals, we are implementing a range of projects that will streamline how we operate. To track our progress, we have introduced two new metrics. These are:

- Cash operating expenses per kgMS – targeting a 4% cash operating cost improvement per year to support long-term discipline in our global overheads.
- Gross profit from Core Operations per kgMS – targeting a 2% New Zealand operational cash cost improvement every year to support efficient New Zealand operations while remaining laser focused on delivering value.

"We are also updating our long-term strategy and plan to share this early next year," says Mr Hurrell.

FY24 Outlook

Looking ahead, our forecast 2023/24 Farmgate Milk Price range of \$6.00-\$7.50 per kgMS, with a midpoint of \$6.75, reflects reduced demand for whole milk powder from key importing regions.

"We are watching market dynamics closely and there are indications demand for New Zealand milk powders will start to return from early 2024. Demand for other products, including Foodservice and our value-added Ingredients, continues to be robust.

"Our FY24 forecast earnings range for continuing operations is 45-60 cents per share. While the favourable price relativities we've experienced across FY23 have reduced from their peaks, we are forecasting improved margins across our Consumer and Foodservice channels for FY24.

"We acknowledge that across the year, farmers will continue to feel the pressure from high input costs and a reduced Farmgate Milk Price. We'll continue to do all that we can to support farmers through this challenging period," says Mr Hurrell.



Fonterra's Edgumbe site turns 100

The Bay of Plenty site first opened its doors in 1923 and has been at the heart of the community ever since.

It specialises in producing high-value products – anhydrous milk fat, casein and caseinates, whey protein concentrate, milk minerals and lipids. It's one of only two sites in Aotearoa New Zealand that manufactures sodium caseinate for Fonterra's customers to use in a variety of nutritional products.

Products from Edgumbe are distributed to more than 53 markets globally and contribute significantly to Fonterra's overall earnings. During peak milk season, Edgumbe processes up to 3.7million litres of milk every day.

Fonterra's Edgumbe Operations Manager, Allan Muggeridge, is proud of what the team, including many long serving and third generation employees, has achieved.

"Having the Edgumbe site

reach 100 years of operation is a remarkable achievement. Especially when we consider the obstacles that were overcome to reach this point."

"We have seen more than our fair share of challenges over the years, including a couple of floods and a major earthquake. The continued operation of the site, even through those more difficult times, is a real testament to the resilience and strong character of the people who have kept it going over all these years. We are all extremely grateful for the hard work and clever foresight of the people that came before us, who shaped the site's destiny into what it is today."

"Beyond just the people who have worked here, Edgumbe site owes much of its success to the ongoing backing of the Edgumbe community and in particular the local farmers. Without their support the site simply could not continue to operate."

Alan Van Der Nagel, Director New Zealand Manufacturing at Fonterra, says he's proud of the hard work being done at the site and in the region.

"This milestone marks a significant achievement for the region. It is a testament to the hard work happening at Edgumbe. The Edgumbe team should be proud to be producing top-quality products that are sought after by customers around the world. I look forward to seeing what our people, farmers and the community will achieve together in the years ahead."

The relationship the site has with the community helps make the site what it is says Tony Maclean, GM Operations Central North Island.

"The relationship with the local and surrounding communities is very important. A business cannot survive for such a long period without being a good social partner and the site has a strong history of working together with the community, particularly in times of adversity."

The Edgumbe site celebrated with a public open day on 16 September, where farmers, business owners and the community were welcome to go and visit the site and learn about what is produced there.



Supplementary Information

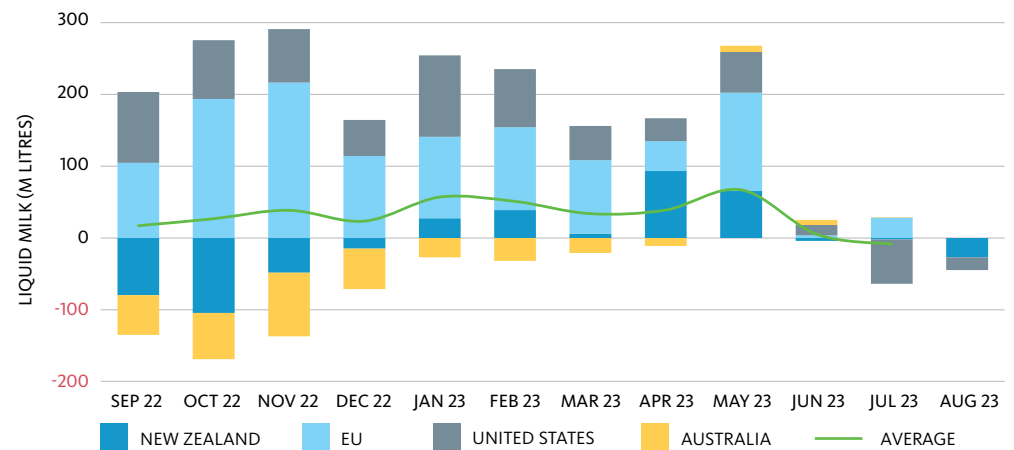
Global Dairy Market

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.

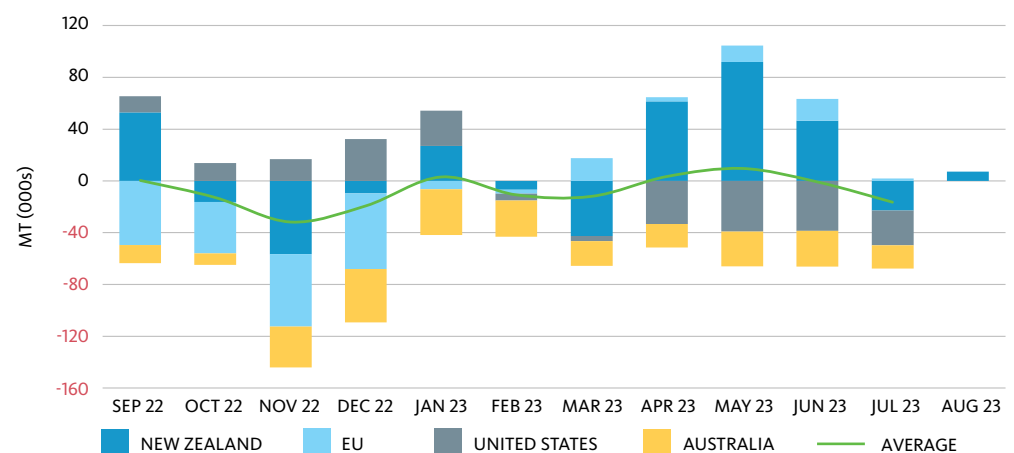
Averages are shown where data is complete for the regions presented.

PRODUCTION



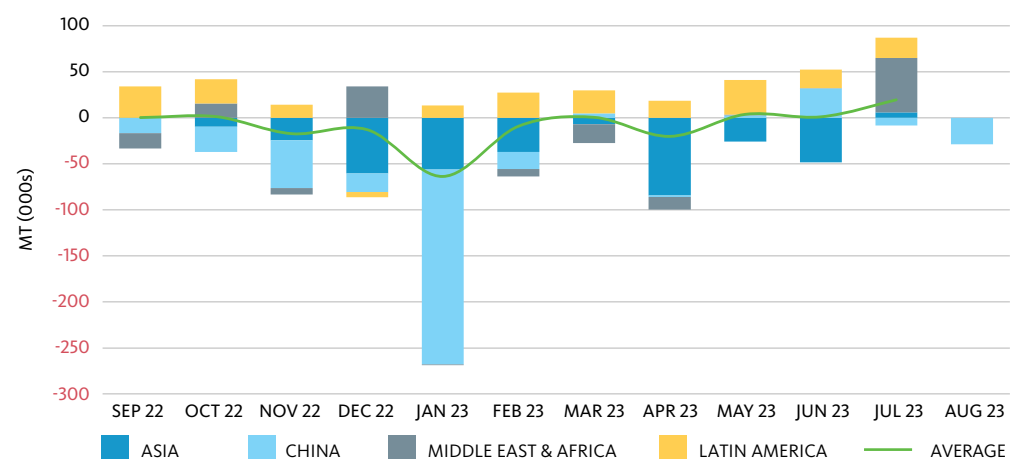
NOTE: Data for EU and Australia to July; New Zealand and US to August.

EXPORTS



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

IMPORTS



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

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)	AUGUST 2023	AUGUST 2022	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	89.5	91.9	(2.6%)	123.1	125.8	(2.2%)
North Island	64.2	67.5	(4.8%)	92.5	96.2	(3.9%)
South Island	25.2	24.4	3.4%	30.6	29.7	3.3%
Australia	6.8	6.9	(1.4%)	12.4	12.2	1.6%

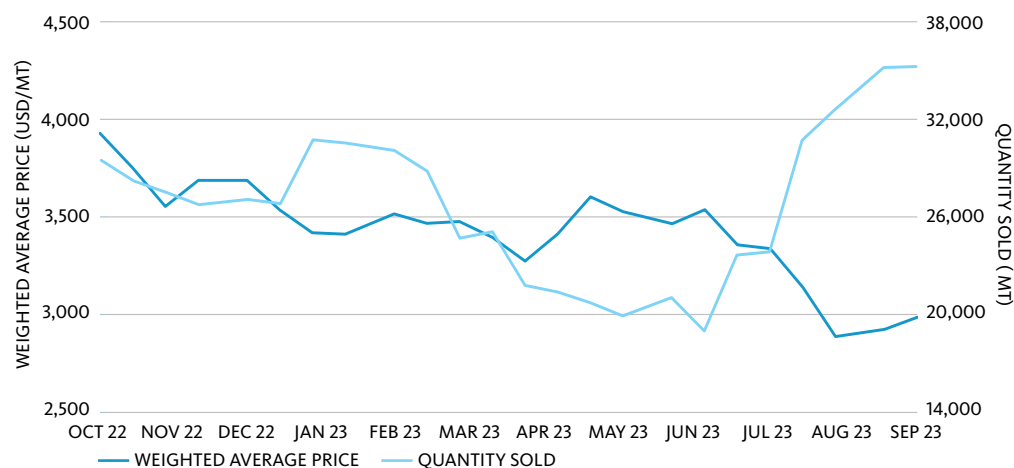
Fonterra GDT results

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

	LAST TRADING EVENT (19 SEPTEMBER 2023)	YEAR-TO-DATE (FROM 1 AUGUST 2023)
Quantity Sold on GDT (Winning MT)	35,244	133,721
Change in Quantity Sold on GDT over same period last year	39.5%	24.5%
Weighted Average Product Price (USD/MT)	2,986	2,981
Change in Weighted Average Product Price over same period last year	(27.0%)	(24.5%)
Change in Weighted Average Product Price from previous event	2.1%	-

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.