



OCTOBER 2023

# Global Dairy UPDATE



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



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



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



• Fonterra New Zealand milk collections in September were 166.1 million kgMS, down 0.1% on the prior season.  
• Fonterra Australia milk collections in September were 9.7 million kgMS, down 2.3% on the prior season.



• Fonterra revises FY24 Forecast Farmgate Milk Price.



• Fast-tracking probiotic potential.

## Key Dates



9 November 2023  
Fonterra Co-operative Group  
Annual Meeting

13 November 2023  
Fonterra Shareholders' Fund  
Annual Meeting

7 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

**0.4%** ↓

Change for September 2023 compared to September 2022

**0.1%** ↑

Change for the 12 months to September 2023

**New Zealand milk production** was down 0.4% on a litres basis (up 1.3% on milk solids basis) in September compared to the same period the year prior.

The decrease was due to tough weather conditions in the North Island causing lack of early season milk, partially offset by stronger collections in the South Island.

New Zealand milk production for the 12 months to September was up 0.1% on a litres basis compared to the previous comparable period.

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

### AUSTRALIA

**1.5%** ↑

Change for September 2023 compared to September 2022

**3.0%** ↓

Change for the 12 months to September 2023

**Australia milk production** increased 1.5% in September compared to the same period the year prior.

The production increase was driven by a recovery in pasture production despite lower-than-average rainfall in most regions.

Australia milk production for the 12 months to September was down 3.0% on the previous comparable period.

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

### EUROPEAN UNION

**0.1%** ↑

Change for August 2023 compared to August 2022

**0.9%** ↑

Change for the 12 months to August 2023

**EU milk production<sup>1</sup>** increased 0.1% in August compared to the same period the year prior.

The production increase was driven by Germany, Poland, and Belgium, and partially offset by decreases in France and Italy.

EU milk production for the 12 months to August was up 0.9% on the previous comparable period.

The production increase was driven primarily by Germany, the Netherlands and Poland, partially offset by decreases in France and Ireland.

### USA

**0.2%** ↓

Change for September 2023 compared to September 2022

**0.4%** ↑

Change for the 12 months to September 2023

**US milk production** decreased 0.2% in September compared to the same period the year prior.

Continued lower milk yield, paired with heat waves lasting longer than anticipated, resulted in a third consecutive decrease in monthly production year-on-year.

Milk production for the 12 months to September increased 0.4% on the previous comparable period.

<sup>1</sup> Excludes UK.



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

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

### NEW ZEALAND

17.6%↓

Change for September 2023 compared to September 2022

1.0%↑

Change for the 12 months to September 2023

**Total New Zealand dairy exports** decreased 17.6%, or 41,569 MT, in September compared to the same period the year prior.

The decrease was due to lower exported volumes of fluid milk products, particularly to China, as well as lower export volumes of WMP and AMF.

Exports for the 12 months to September were up 1.0%, or 33,464 MT, on the previous comparable period.

This was mainly due to increases in SMP and cheese, partially offset by a decrease in WMP.

### AUSTRALIA

4.1%↑

Change for August 2023 compared to August 2022

28.9%↓

Change for the 12 months to August 2023

**Australia dairy exports** increased 4.1%, or 2,106 MT, in August compared to the same period the year prior.

The increase in exports was mainly due to higher export volumes of SMP, lactose and whey powder. This was partially offset by lower exported volumes of fluid milk products and sweetened milk powder.

Exports for the 12 months to August were down 28.9%, or 266,974 MT, on the previous comparable period.

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

### EUROPEAN UNION

4.2%↓

Change for August 2023 compared to August 2022

2.9%↓

Change for the 12 months to August 2023

**EU dairy exports** decreased 4.2%, or 23,612 MT, in August compared to the same period the year prior.

The decrease was mainly due to lower export volumes of infant formula to China. This was partially offset higher export volumes of SMP to Southeast Asia and Algeria.

Exports for the 12 months to August were down 2.9%, or 194,684 MT, on the previous comparable period.

This was mainly due to lower volumes of fluid milk products to China, and partially offset by higher volume of SMP to Southeast Asia and Algeria.

### USA

10.3%↓

Change for August 2023 compared to August 2022

2.5%↓

Change for the 12 months to August 2023

**US dairy exports** decreased 10.3%, or 26,010 MT, in August compared to the same period the year prior.

The decrease was mainly due to lower whey demand from China.

Exports for the 12 months to August were down 2.5%, or 70,398 MT, on the previous comparable period.

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



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

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

### LATIN AMERICA

**0.3%** ↓

Change for August 2023 compared to August 2022

**11.3%** ↑

Change for the 12 months to August 2023

#### Latin America dairy import volumes<sup>1</sup>

decreased 0.3%, or 668 MT, in August compared to the same period the year prior.

The decrease was mainly due to lower volumes of WMP to Peru, Guatemala, and Cuba.

Imports for the 12 months to August were up 11.3%, or 247,213 MT, on the previous comparable period.

This was mainly due to higher volumes of WMP to Brazil, and SMP to Mexico.

### ASIA

**3.6%** ↓

Change for August 2023 compared to August 2022

**5.8%** ↓

Change for the 12 months to August 2023

#### Asia (excluding China) dairy import volumes<sup>1</sup>

decreased 3.6%, or 16,769 MT, in August compared to the same period the year prior.

The decrease was mainly due to lower volumes of lactose and infant formula.

Imports for the 12 months to August were down 5.8%, or 297,488 MT, on the previous comparable period.

This was mainly due to lower volumes of SMP to Philippines and Malaysia, and fluid milk products to Malaysia and Cambodia.

### MIDDLE EAST & AFRICA

**3.0%** ↑

Change for August 2023 compared to August 2022

**4.2%** ↑

Change for the 12 months to August 2023

#### Middle East and Africa dairy import volumes<sup>1</sup>

increased 3.0%, or 12,859 MT, in August compared to the same period the year prior.

The increase was mainly due to higher volumes of SMP to Yemen and Saudi Arabia.

Imports for the 12 months to August were up 4.2%, or 224,311 MT, on the previous comparable period.

This was mainly due to higher volumes of SMP to Algeria, and partially offset by lower volume of fluid milk product to Iraq, the United Arab Emirates and Kuwait.

### CHINA

**12.1%** ↓

Change for September 2023 compared to September 2022

**10.2%** ↓

Change for the 12 months to September 2023

#### China dairy import volumes

decreased by 12.1%, or 31,533 MT, in September compared to the same period the year prior.

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

Imports for the 12 months to September were down 10.2%, or 360,764 MT, on the previous comparable period.

This was due to a decrease in import demand for fluid milk products and WMP reflecting ongoing excess domestic supply.

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

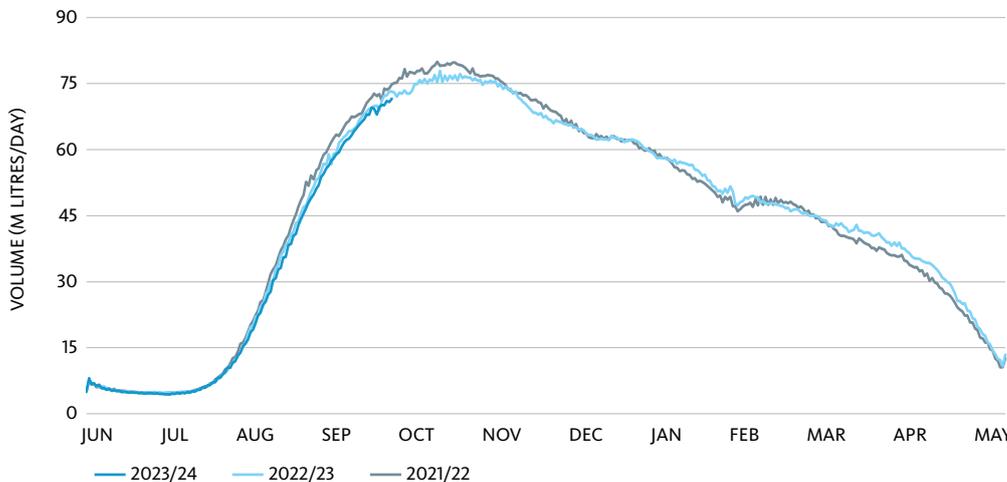
OUR MARKETS

# 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

**0.1%** ↓

Change for September 2023 compared to September 2022

**0.9%** ↓

Season-to-date 1 June to 30 September

**Fonterra's New Zealand collections** for September were 166.1 million kgMS, 0.1% behind September 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 289.4 million kgMS, 0.9% behind last season.

Forecast milk price pressures and farm working expenses remain high. Some farmers are reducing spend, potentially lowering overall productivity on farm.

### NORTH ISLAND

**2.6%** ↓

Change for September 2023 compared to September 2022

**3.1%** ↓

Season-to-date 1 June to 30 September

**North Island** milk collection in September was 99.9 million kgMS, 2.6% behind September last season.

Season-to-date collections were 192.5 million kgMS, 3.1% behind last season.

September weather has continued to be volatile, causing lower pasture growth rates creating challenges for farmers moving into mating and peak milk.

### SOUTH ISLAND

**3.9%** ↑

Change for September 2023 compared to September 2022

**3.8%** ↑

Season-to-date 1 June to 30 September

**South Island** milk collection in September was 66.3 million kgMS, 3.9% ahead of September last season.

Season-to-date collections were 96.9 million kgMS, 3.8% ahead of last season.

The South Island had good weather conditions for this time of year, despite some flooding in the lower south later in the month.

### AUSTRALIA

**2.3%** ↓

Change for September 2023 compared to September 2022

**0.1%** ↓

Season-to-date 1 July to 30 September

**Fonterra's Australia collections** in September were 9.7 million kgMS, 2.3% behind September last season.

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

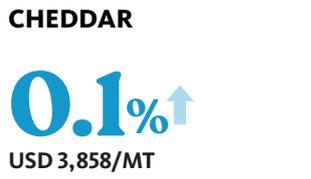
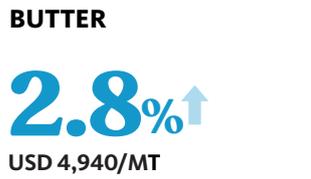
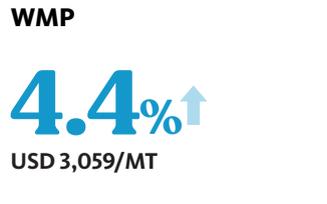
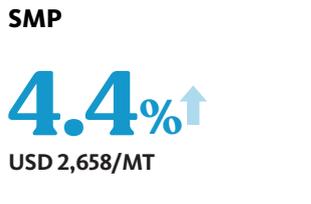
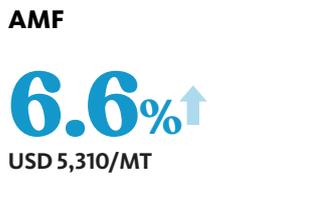
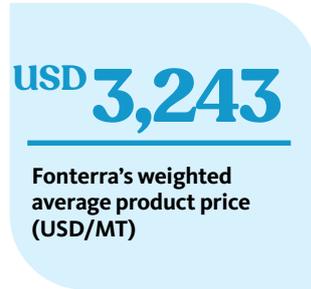
Season-to-date collections were 22.1 million kgMS, 0.1% behind last season. Collections decreased mainly due to a return to warmer, drier weather patterns.

OUR MARKETS

# Fonterra Global Dairy Trade Results



Fonterra GDT results at trading event 342  
17 October 2023:

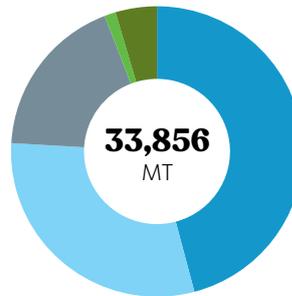


Fonterra GDT sales by destination:

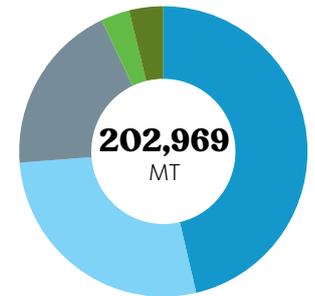
To view more information, including a snapshot of the rolling year-to-date results –



LATEST AUCTION



FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 7 November 2023. Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information.

## Dairy commodity prices and New Zealand dollar trend

US interest rates are increasingly likely to remain high for some time yet, with increased risk that additional monetary tightening is required. This, together with a strong US economic performance continues to support the USD. Some brighter spots in the New Zealand economy have been offset by economic uncertainty in the Asian region and the New Zealand general election. The NZD/USD exchange rate traded between 0.5774 and 0.6056 during October.



# Our Performance



## Fonterra revises FY24 Forecast Farmgate Milk Price



On 9 October 2023, Fonterra Co-operative Group Ltd raised the 2023/24 season forecast Farmgate Milk Price range to \$6.50-\$8.00 per kgMS, with a new midpoint of \$7.25 per kgMS, up 50 cents.

Fonterra CEO Miles Hurrell says the improved outlook reflects both supply and demand dynamics.

“Here in New Zealand we’re forecasting collections to be slightly below last season, while aggregate milk growth in key export countries is expected to be below

average for FY24. The El Niño weather pattern may have further impacts on supply, and this could be driving recent buyer sentiment.

“On the demand side, we have seen increases in recent Global Dairy Trade events. While this has been encouraging, it is not yet clear whether the stronger demand from China will be sustained. For other key regions, customers remain relatively cautious in terms of their forward purchases.

“It’s still early days in terms of the proportion of our

FY24 sales book that we’ve contracted, so we still face significant exposure to volatility in commodity prices. Exchange rate volatility is another factor to keep in mind. Our foreign exchange hedging strategy is designed to help lessen the impact of this, and also supports a higher Advance Rate level than would be possible without hedging.

“We’ll continue to let our farmers and the market know as soon as we can when we think things have materially shifted,” says Mr Hurrell.



## Fast-tracking probiotic potential

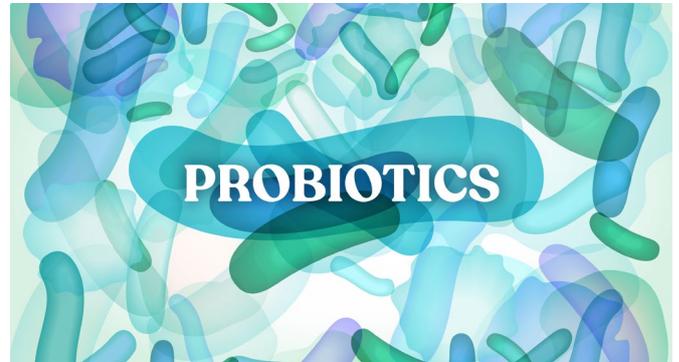
Fonterra is taking another step in leveraging its expertise in probiotics by partnering with APC Microbiome Ireland, a world-leading Science Foundation Ireland research centre that is focused on harnessing the power of the microbiome for the health and wellbeing of people and planet.

The partnership will focus on the human microbiome and will see the establishment of the Fonterra Microbiome Research Centre at the University College Cork, to be operational by the end of 2023.

The centre will help to identify and substantiate the health benefits of Fonterra's probiotics, with the aim of bringing several new probiotic strains to the market over the next 5-10 years.

With an increased awareness of the positive impact probiotics can have on health and wellbeing, more people are looking to include them in their diet. As this awareness continues to grow, the development of probiotic products holds enormous market potential for Fonterra.

There has been a dramatic increase in demand for Fonterra's probiotics recently, with sales increasing about ten-fold over the last few years. Harnessing the expertise of APC Microbiome Ireland will enable Fonterra to fast-track development of new strains to manufacture and sell at a global scale.



Leading in dairy innovation and science to create high-quality nutrition is core to Fonterra's strategy and probiotics are a significant focus. Fonterra is already well positioned in this space: the Co-operative is home to one of the world's largest dairy culture collections (more than 40,000 strains) and has been developing probiotics for nearly 30 years.

Fonterra GM Science Technology Dr Mark Malone says the Co-operative is looking forward to working with the APC.

"This new partnership with the APC is a fantastic opportunity for Fonterra to collaborate with world leading experts in the field of probiotics and microbiome research. This will expand Fonterra's health and nutrition expertise and accelerate our development of new and differentiated nutritional offerings."

Professor Paul Ross, Director APC Microbiome Ireland, is also excited about the opportunities the partnership presents.

"This is a significant development for the APC, and we are thrilled to be working together with Fonterra. This latest collaboration with industry underlines the APC's reputation as a global leader in microbiome research and our expertise in supporting new product development with our Irish and international industry partners."

Probiotics (live, beneficial microbes) have long been proven to have a positive impact on our gut health. They can help to balance the trillions of bacteria living in our gut, known as our gut microbiome, and may also help to improve gut comfort and protect us from the bad microbes that for instance cause diarrhoea. However, it's important to remember that only those strains with a scientifically demonstrated effect on health, such as Fonterra's Bifidobacterium animalis strain BifidoB 019 (DR10TM) should be called probiotics.

# Supplementary Information

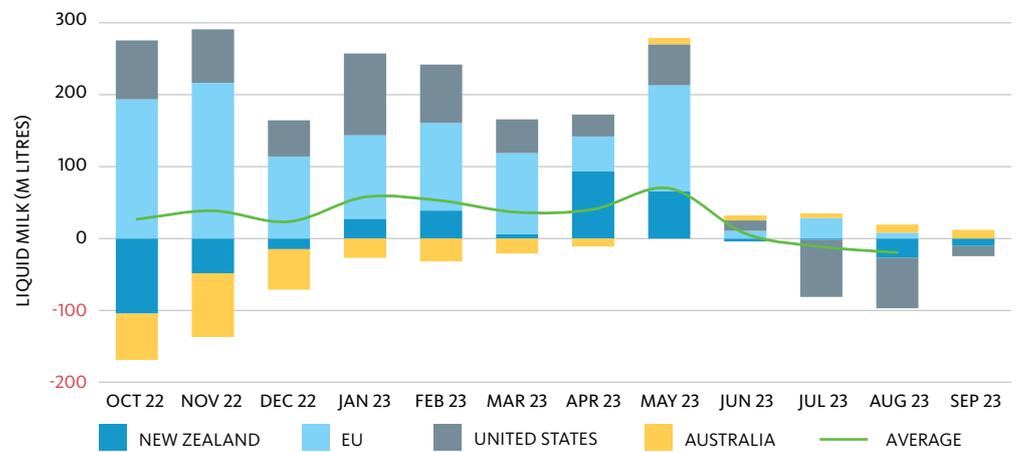
## Global Dairy Market

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.

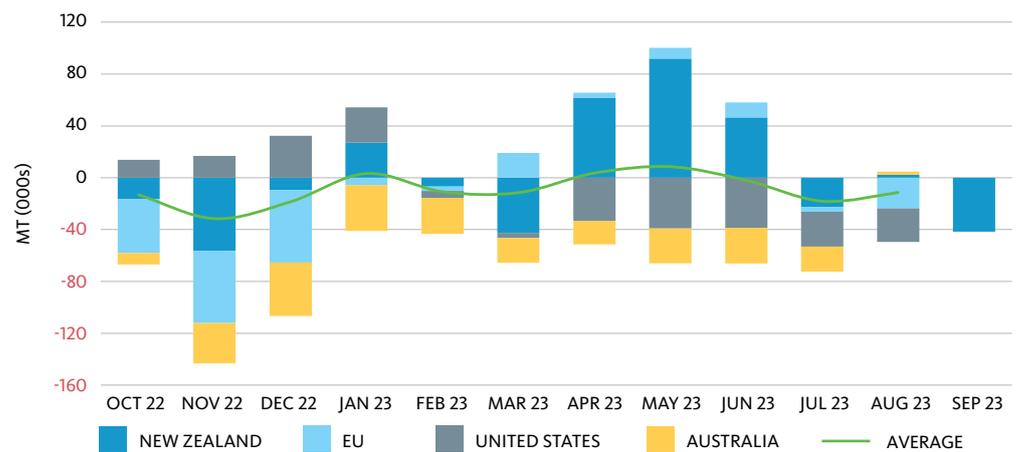
Averages are shown where data is complete for the regions presented.

### PRODUCTION



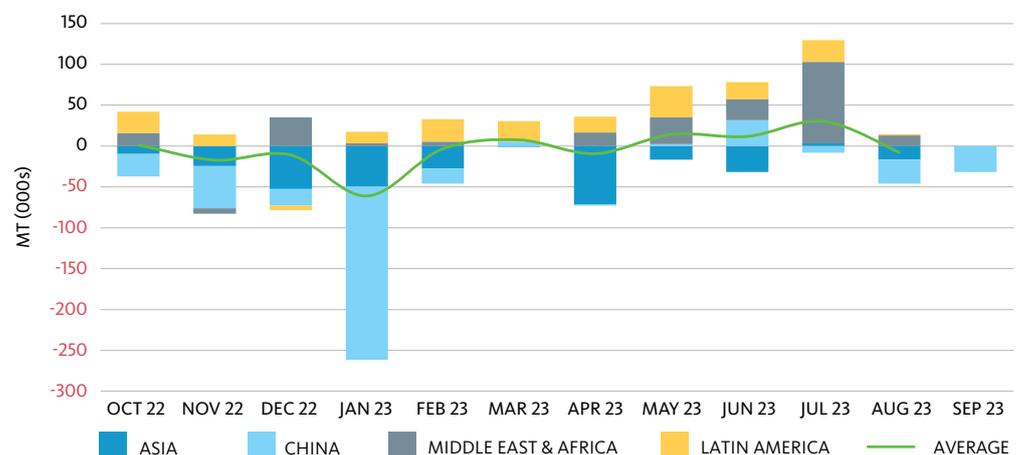
NOTE: Data for EU to August; New Zealand, US and Australia to September.

### EXPORTS



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

### IMPORTS



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

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)	SEPTEMBER 2023	SEPTEMBER 2022	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	166.1	166.3	(0.1%)	289.4	292.1	(0.9%)
North Island	99.9	102.5	(2.6%)	192.5	198.7	(3.1%)
South Island	66.3	63.8	3.9%	96.9	93.4	3.8%
Australia	9.7	10.0	(2.3%)	22.1	22.1	0.1%

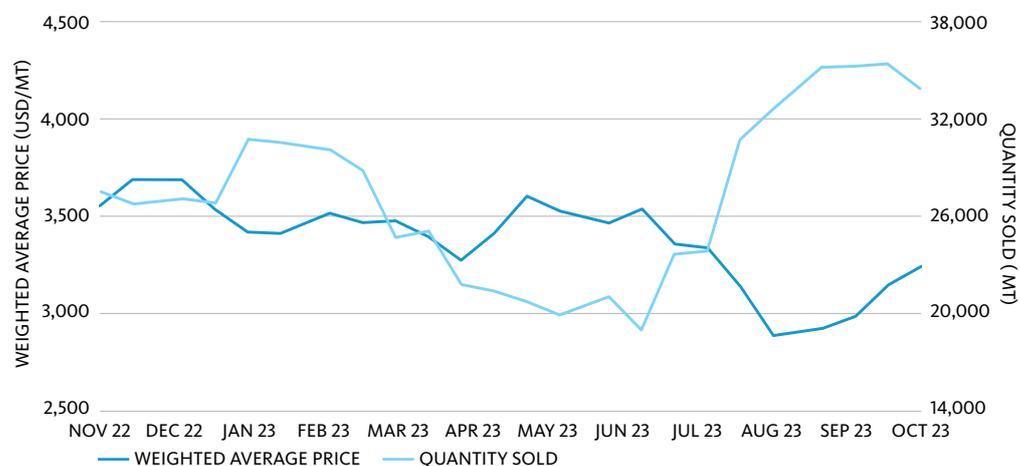
## Fonterra GDT results

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

	LAST TRADING EVENT (17 OCTOBER 2023)	YEAR-TO-DATE (FROM 1 AUGUST 2023)
Quantity Sold on GDT (Winning MT)	33,856	202,969
Change in Quantity Sold on GDT over same period last year	20.0%	23.0%
Weighted Average Product Price (USD/MT)	3,243	3,054
Change in Weighted Average Product Price over same period last year	(13.6%)	(21.9%)
Change in Weighted Average Product Price from previous event	3.0%	-

## 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.