JANUARY 2024

Global Dairy UPDATE

Our Markets

- New Zealand and Australia monthly production increased. US and EU monthly production decreased.
- Australia and EU monthly exports increased. New Zealand and US monthly exports decreased.
- Latin America, Asia and Middle East & Africa monthly imports increased. China monthly imports decreased.
- Fonterra New Zealand milk collections in December were 176.6 million kgMS, 1.5% ahead of December last season.
- Fonterra Australia milk collections in December were 10.8 million kgMS, 1.3% behind December last season.

Our Performance

- Fonterra to install its first electrode boiler at Edendale to reduce emissions.

Our Co-op

- Fonterra launches a unique hybrid emissions reduction solution in Palmerston North.

Key Dates

21 March 2024
FY24 Interim Results Announcement

December to February 2024
Application period to supply Fonterra

May 2024
FY24 Q3 Business Update

Global Production

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

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

CLICK HERE ▶

NEW ZEALAND

0.9%↑
Change for December 2023 compared to December 2022

0.9%↑
Change for the 12 months to December 2023

New Zealand milk production was up 0.9% on a litres basis (up 2.6% on milk solids basis) in December compared to the same period the year prior.

The increase was due to favourable weather conditions supporting pasture growth.

New Zealand milk production for the 12 months to December was up 0.9% on the previous comparable period.

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

AUSTRALIA

6.3%↑
Change for November 2023 compared to November 2022

0.6%↓
Change for the 12 months to November 2023

Australia milk production increased 6.3% in November compared to the same period the year prior.

The increase was due to favourable weather conditions, while flooding in November 2022 had a negative impact.

Australia milk production for the 12 months to November was down 0.6% on the previous comparable period as there is still flood impacted volumes in the early months of 2023.

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

EUROPEAN UNION

2.3%↓
Change for November 2023 compared to November 2022

0.1%↑
Change for the 12 months to November 2023

EU milk production[1] decreased 2.3% in November compared to the same period the year prior.

The decrease was driven by Ireland, France and the Netherlands.

EU milk production for the 12 months to November was up 0.1% on the previous comparable period.

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

USA

0.3%↓
Change for December 2023 compared to December 2022

0.0%
Change for the 12 months to December 2023

US milk production decreased 0.3% in December compared to the same period the year prior.

Smaller herd numbers and continued lower milk yield has resulted in a fifth month of consecutive decline in production year-on-year.

Milk production for the 12 months to December was flat.

This is mainly due to strong production in the first half of 2023, offset by the lower production in the second half of 2023.

1 Excludes UK.

Global Exports

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

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

CLICK HERE ▶

NEW ZEALAND

5.3%↓
Change for December 2023 compared to December 2022

5.2%↑
Change for the 12 months to December 2023

Total New Zealand dairy exports decreased 5.3%, or 19,756 MT, in December compared to the same period the year prior.

The decrease was mainly due to lower exported volumes of cheese to China, Japan and Australia.

Exports for the 12 months to December were up 5.2%, or 174,335 MT, on the previous comparable period.

The increase was mainly due to higher exported volumes of WMP and SMP to China following the removal of tariffs on New Zealand milk powders.

AUSTRALIA

5.3%↑
Change for November 2023 compared to November 2022

26.4%↓
Change for the 12 months to November 2023

Australia dairy exports increased 5.3%, or 3,209 MT, in November compared to the same period the year prior.

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

Exports for the 12 months to November were down 26.4%, or 229,615 MT, on the previous comparable period.

This was mainly due to lower export volumes of fluid milk products, SMP, and cheese and Australia's higher milk prices making exports uncompetitive.

EUROPEAN UNION

0.5%↑
Change for November 2023 compared to November 2022

0.4%↓
Change for the 12 months to November 2023

EU dairy exports increased 0.5%, or 2,628 MT, in November compared to the same period the year prior.

The increase was mainly due to slower domestic consumption. Exporters shifted higher volumes of fluid milk products and cheese to the US and China. This was partially offset by lower export volumes of infant formula.

Exports for the 12 months to November were down 0.4%, or 29,002 MT, on the previous comparable period.

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

USA

6.0%↓
Change for November 2023 compared to November 2022

5.5%↓
Change for the 12 months to November 2023

US dairy exports decreased 6.0%, or 14,499 MT, in November compared to the same period the year prior.

The decrease was mainly due to lower export volumes of butter as higher prices over the US autumn softened demand for US butter.

Exports for the 12 months to November were down 5.5%, or 158,477 MT, on the previous comparable period.

This was mainly due to lower export volumes of whey to China and Canada, partially offset by higher volumes of lactose.

Global Imports

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

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

CLICK HERE ▶

LATIN AMERICA

4.3%↑
Change for November 2023 compared to November 2022

7.4%↑
Change for the 12 months to November 2023

Latin America dairy import volumes[1] increased 4.3%, or 8,335 MT, in November compared to the same period the year prior.

The increase was mainly due to higher volumes of cheese to Mexico and Brazil, and whey to Mexico.

Imports for the 12 months to November were up 7.4%, or 167,314 MT, on the previous comparable period.

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

ASIA

24.2%↑
Change for November 2023 compared to November 2022

2.4%↓
Change for the 12 months to November 2023

Asia (excluding China) dairy import volumes[1] increased 24.2%, or 91,155 MT, in November compared to the same period the year prior.

The increase was mainly due to higher volumes of whey to Malaysia and Vietnam, and WMP to Thailand and Sri Lanka.

Imports for the 12 months to November were down 2.4%, or 124,833 MT, on the previous comparable period.

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

MIDDLE EAST & AFRICA

12.9%↑
Change for November 2023 compared to November 2022

4.8%↑
Change for the 12 months to November 2023

Middle East and Africa dairy import volumes[1] increased 12.9%, or 57,238 MT, in November compared to the same period the year prior.

The increase was mainly due to higher volumes of WMP to Algeria.

Imports for the 12 months to November were up 4.8%, or 265,787 MT, on the previous comparable period.

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

CHINA

9.4%↓
Change for December 2023 compared to December 2022

9.6%↓
Change for the 12 months to December 2023

China dairy import volumes decreased by 9.4%, or 24,848 MT, in December compared to the same period the year prior.

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

Imports for the 12 months to December were down 9.6%, or 330,683 MT, on the previous comparable period.

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

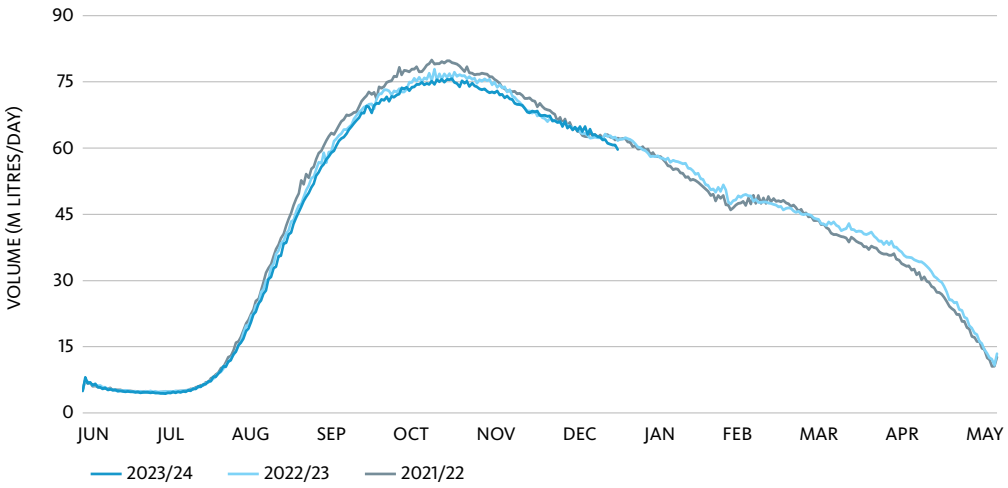
1 Estimates are included for those countries that have not reported data.

Fonterra Milk Collections

To view a table that shows detailed milk collections in New Zealand and Australia compared to the previous season –

CLICK HERE ▶

New Zealand Milk Collections



NEW ZEALAND

1.5%↑
Change for December 2023 compared to December 2022

0.1%↓
Season-to-date 1 June to 31 December

Fonterra's New Zealand collections for December were 176.6 million kgMS, 1.5% ahead of December last season.

The increase was due to continued favourable weather conditions in the South Island.

Season-to-date collections were 853.6 million kgMS, 0.1% lower than last season.

Drier conditions are emerging in parts of the country as temperatures remain elevated.

NORTH ISLAND

0.2%↓
Change for December 2023 compared to December 2022

2.3%↓
Season-to-date 1 June to 31 December

North Island milk collection in December was 97.9 million kgMS, 0.2% behind December last season.

Season-to-date collections were 508.8 million kgMS, 2.3% behind last season.

North Island collections in December 2023 were relatively similar to December 2022, after tracking below last season in prior months. This was largely due to improved weather conditions in the Waikato.

SOUTH ISLAND

3.8%↑
Change for December 2023 compared to December 2022

3.2%↑
Season-to-date 1 June to 31 December

South Island milk collection in December was 78.8 million kgMS, 3.8% ahead of December last season.

Season-to-date collections were 344.9 million kgMS, 3.2% ahead of last season.

The South Island has continued to capitalise on favourable weather conditions which saw all regions outperform December last season.

AUSTRALIA

1.3%↓
Change for December 2023 compared to December 2022

0.3%↑
Season-to-date 1 July to 31 December

Fonterra's Australia collections in December were 10.8 million kgMS, 1.3% behind December last season.

Collections decreased in December due to lower third-party collections, partially off-set by a small increase in off-farm intake.

Season-to-date collections were 56.8 million kgMS, 0.3% ahead of last season.

Collections increased mainly due to improvement of weather patterns.

Outlook for Fonterra in New Zealand

NZD per kgMS 7.00–8.00
Forecast Farmgate Milk Price for the 2023/24 season

1,465M kgMS
Forecast milk collection for the 2023/24 season

Fonterra Global Dairy Trade Results

Fonterra GDT results at trading event 348
16 January 2024:

3.4% ↑
Change in Fonterra's weighted average product price from previous event

USD 3,531
Fonterra's weighted average product price (USD/MT)

23.1 000' MT
Fonterra product quantity sold on GDT

BUTTER
7.7% ↑
USD 5,908/MT

AMF
4.4% ↑
USD 5,842/MT

WMP
2.0% ↑
USD 3,341/MT

SMP
1.9% ↑
USD 2,636/MT

CHEDDAR
1.2% ↑
USD 4,217/MT

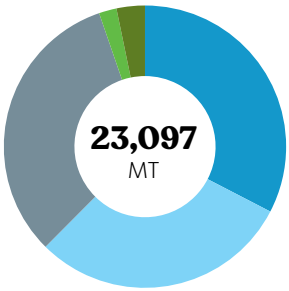
Fonterra GDT sales **by destination**:

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

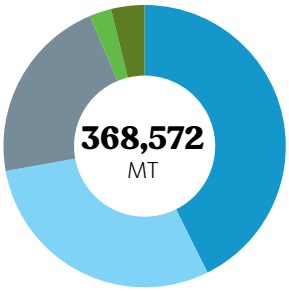
CLICK HERE ▶

NORTH ASIA (INCLUDING CHINA)
SOUTH EAST ASIA
MIDDLE EAST AND AFRICA
LATIN AMERICA
OTHER

LATEST AUCTION



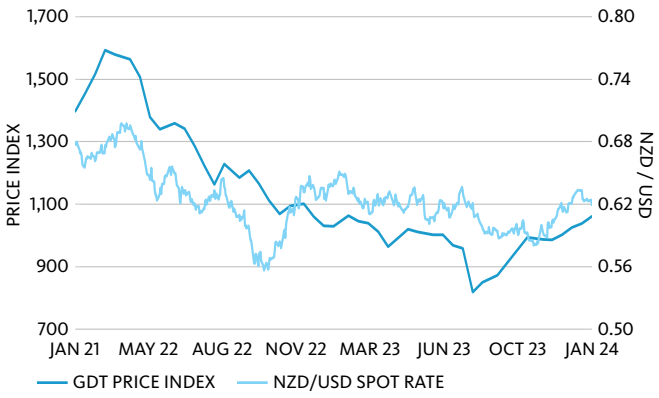
FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 6 February 2024. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

During December, the US Federal Reserve Bank pivoted from its bias towards tightening monetary policy and indicated interest rate cuts could be likely during 2024. This change was promoted by declining levels of inflation and moderation in US economic activity. In response, future US interest rates were repriced downward and the USD declined. The NZD/USD exchange rate lifted to above 63 US cents late in December, before settling back to 61 US cents.



Our Performance

Fonterra to install its first electrode boiler at Edendale to reduce emissions

In its next step to get out of coal, Fonterra has announced it will install a 20-megawatt electrode boiler at its Edendale site in Southland.

This is another step for the Co-operative as it works to get out of coal by 2037 and reduce Scope 1 and 2 emissions by 50% by 2030 (from 2018 baseline).

The forecast $36 million investment in the electrode boiler will reduce the Edendale site's emissions by around 20% or 47,500 tonnes of CO_2e per annum – the equivalent of taking almost 20,000 cars off New Zealand roads and will reduce Fonterra's overall carbon emissions from its New Zealand 2018 baseline by nearly 3% per annum once operational in FY25.

Fonterra Chief Operating Officer (acting) Anna Palairet says the team considered a number of energy options before deciding on the electrode boiler.

"Fonterra has a complex manufacturing operation spanning the country. As technologies develop, it's important we continually assess which energy source and technology is best for each site.

"With up to 15 million litres of milk being processed at our Edendale site each day, we need to ensure we have a secure energy supply that can meet processing demands.

"Cost is also an important consideration. Getting out of coal requires significant investment and we need to choose the best option that reduces emissions and operational complexity while also doing what's best for our farmer shareholders."

Fonterra is partnering with Meridian Energy for the electricity supply who generate electricity from 100% renewable resources – wind, water and sun.

"Energy contributes around 40% of Aotearoa's total gross emissions and process heat makes up a third of this country's energy use. So, it makes sense for Meridian to work with big industry to switch energy sources to clean energy alternatives" says Meridian Chief Executive Neal Barclay.

"We congratulate Fonterra for taking this step given the significance and scale of their operations. Partnerships like these are critical to helping this country meet the target of net zero carbon emissions by 2050."

Work to reduce emissions associated with manufacturing:

- The Electric Boiler Project is being co-funded as part of a previously announced EECA (Energy Efficiency and Conservation Authority) partnership.

The partnership involves Fonterra achieving approximately 2.1 million tonnes of earlier CO_2e reductions by undertaking a range of decarbonisation projects at its manufacturing sites.

- Fonterra expects to further reduce its emissions through a combination of energy efficiency initiatives and switching fuels at its six manufacturing sites that will still be using coal in 2024, and ultimately stop using coal by 2037.
- Fonterra's Waitoa manufacturing site is now using around 50% less coal as its new wood biomass boiler is operational. This makes it the third Fonterra manufacturing site to reduce coal use in 2023. The biomass boiler will reduce the site's annual emissions by at least 48,000 tonnes of CO_2e, the equivalent of taking 20,000 cars off New Zealand's roads.
- Fonterra is in the process of converting the coal boilers at its Hautapu site to wood pellets. Once complete this year, the Hautapu site will reduce its carbon emissions by a forecast 15,785 tonnes per annum - the equivalent of taking about 6,500 cars off New Zealand's roads.
- The Stirling wood biomass boiler now has fully renewable thermal energy for its process heat. Changing to this boiler will reduce the annual carbon emissions by 18,500 tonnes – the equivalent of taking approximately 7,700 cars off New Zealand's roads.
- In 2020, the Te Awamutu manufacturing site converted its coal boiler to wood pellets, reducing the Co-op's national coal consumption by 9%, reducing more than 84,000 tonnes of carbon emissions per year – the same as taking 32,000 cars off the road.
- In 2018, the Brightwater site near Nelson switched to co-firing biomass, helping reduce CO_2e emissions by 25%, or the equivalent of taking 530 cars off the road.

Our Co-op

Fonterra launches a unique hybrid emissions reduction solution in Palmerston North

Fonterra has recently commissioned their first high temperature heat pump and solar thermal plant combination at the Fonterra Brands New Zealand Palmerston North manufacturing site, where much of the fresh white milk for the North Island is produced.

The heat pump converts excess heat from chillers and compressors into a heat source. This reduces the natural gas required by the site and is expected to remove 495 tonnes CO_2e annually – the equivalent of taking 140 cars off the road.

This marks the fourth site within a year to upgrade energy infrastructure to help Fonterra reach its scope 1 and 2 target of 50% emissions reduction by 2030 (from a 2018 baseline).

Fonterra Palmerston North Site Manager Graham Thomson says, "We're really excited about this unique combination of a commercial heat pump and solar thermal plant helping us reduce our gas consumption and emissions output."

The project received co-funding from the Energy Efficiency Conservation Authority's Government Investment in Decarbonising Industry (GIDI) fund and will help inform future decarbonisation projects at Fonterra.

Further information on Fonterra's decarbonisation efforts

We expect to reduce our emissions further through a combination of energy efficiency initiatives and switching fuels at our six manufacturing sites that still use coal and ultimately stop using coal by 2037.

We're in the process of converting the coal boilers at the Hautapu site to wood pellets. Once complete this year the Hautapu site will reduce our carbon emissions by a forecast 15,785 tonnes per annum – the equivalent of taking about 6,500 cars off New Zealand's roads.

The Stirling wood biomass boiler has been commissioned, moving the site to fully renewable thermal energy for its process heat. Changing to this boiler will reduce the annual carbon emissions by 18,500 tonnes – the equivalent of taking approximately 7,700 cars off New Zealand's roads.

The new Waitoa wood biomass boiler is now operational and will reduce the site's annual carbon emissions by approximately 48,000 tonnes, the equivalent of taking approximately 20,000 cars off New Zealand's roads.

Supplementary Information

Global Dairy Market

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

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

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

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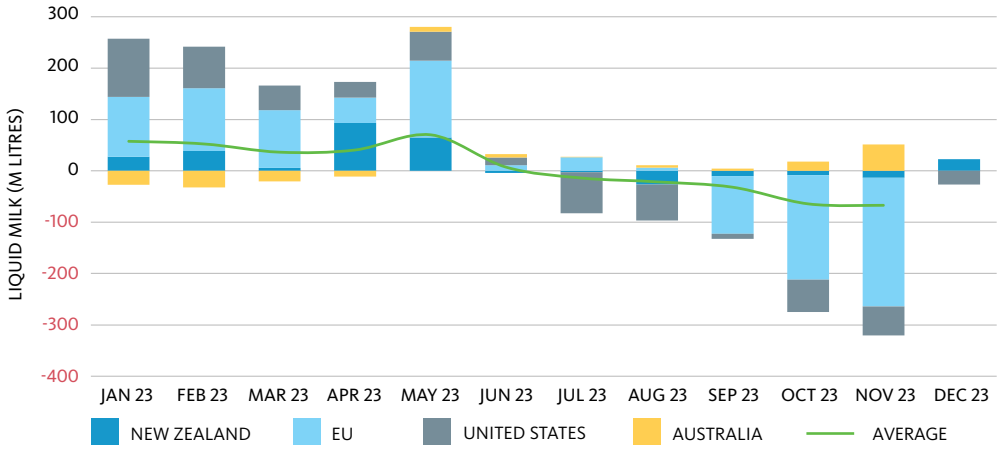
PRODUCTION



NOTE: Data for EU and Australia to November; New Zealand and US to December.

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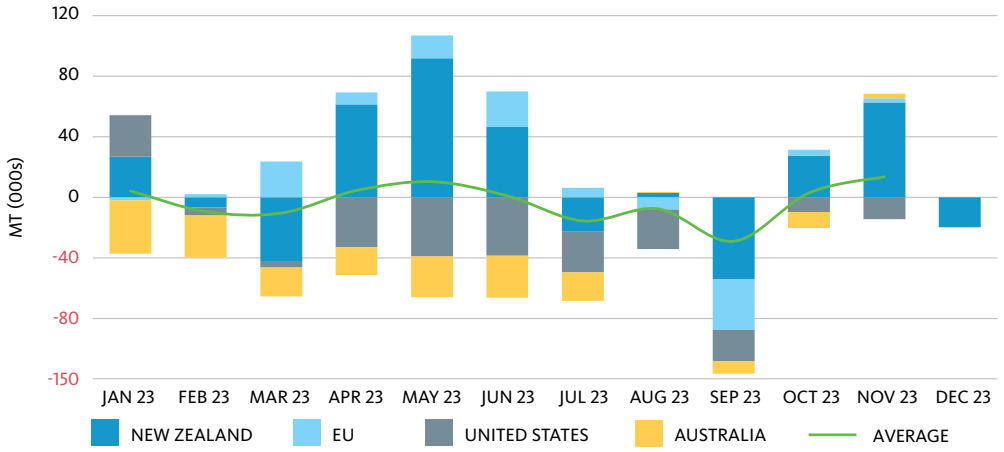
EXPORTS



NOTE: Data for EU, US and Australia to November; New Zealand to December.

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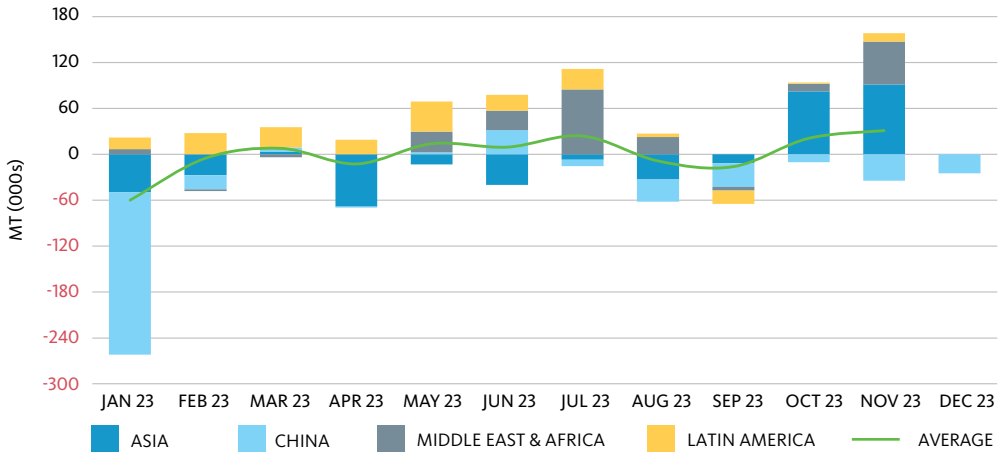
IMPORTS



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

SOURCES: Government milk production statistics (DCANZ, Dairy Australia, Eurostat, USDA)/GTA trade data/Fonterra analysis.

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Supplementary Information

Fonterra milk production

The table on the right shows Fonterra milk solids collected in New Zealand and Australia compared to the previous season.

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MILK COLLECTION (MILLION KGMS)	DECEMBER 2023	DECEMBER 2022	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	176.6	174.0	1.5%	853.6	854.8	(0.1%)
North Island	97.9	98.1	(0.2%)	508.8	520.8	(2.3%)
South Island	78.8	75.9	3.8%	344.9	334.1	3.2%
Australia	10.8	11.0	(1.3%)	56.8	56.7	0.3%

2023/24 Season Forecast Farmgate Milk Price (FGMP) Update

ANNOUNCEMENT DATE	FORECAST FGMP (NZD)		NZD/USD RATE AT ANNOUNCEMENT DATE	FORECAST AVERAGE CONVERSION RATE FOR 2023/24 SEASON	PERCENTAGE OF FORECAST FOREIGN EXCHANGE EXPOSURE FOR 2023/24 SEASON HEDGED	PERCENTAGE OF FOREIGN EXCHANGE OPTION COVER REMAINING IN HEDGED AMOUNT
	RANGE	MID-POINT				
7 December 2023	$7.00-$8.00	$7.50	0.6144	0.6137	84%	18%
9 October 2023	$6.50-$8.00	$7.25	0.5968	0.6093	77%	22%

As at the most recent update to the 2023/24 season forecast Farmgate Milk Price on 7 December 2023:

- Fonterra hedged approximately 84% of the full year forecast USD cash flows related to the 2024 season Farmgate Milk Price.
- Of that 84%, approximately 18% was hedged with foreign exchange options which have not yet expired or been exercised.
- If the remaining 16% of the forecast USD cash flows were to be hedged at the 7 December 2023 spot rate of 0.6144, the average NZD/USD conversion rate for the 2024 season would be 0.6137.
- Also shown for information are the equivalent measures at the date of the previous update to the 2023/24 season Forecast Farmgate Milk Price on 9 October 2023.

Supplementary Information

Fonterra GDT results

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

	LAST TRADING EVENT (16 JANUARY 2024)	YEAR-TO-DATE (FROM 1 AUGUST 2023)
Quantity Sold on GDT (Winning MT)	23,097	368,572
Change in Quantity Sold on GDT over same period last year	(24.4%)	10.2%
Weighted Average Product Price (USD/MT)	3,531	3,197
Change in Weighted Average Product Price over same period last year	3.5%	(14.2%)
Change in Weighted Average Product Price from previous event	3.4%	–

Fonterra GDT results

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

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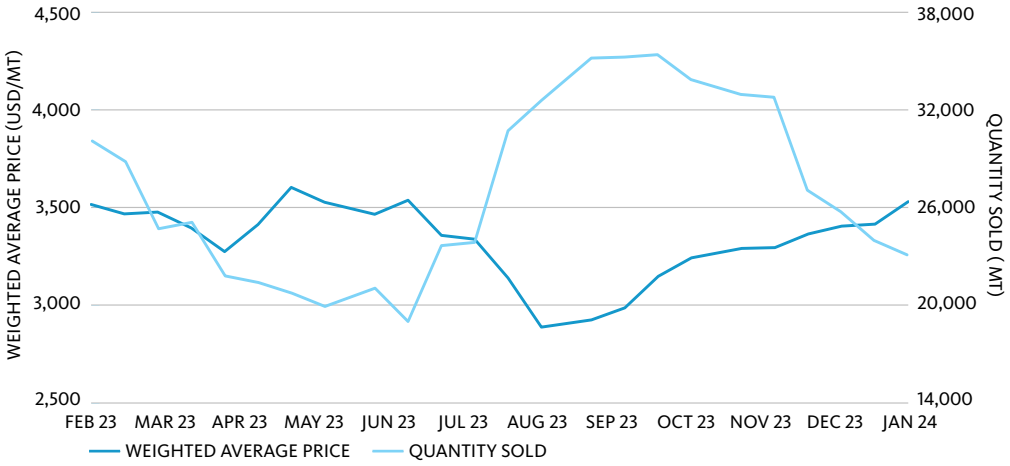

Glossary

AMF

Anhydrous Milk Fat.

BMP

Butter Milk Powder.

Cultured Products

Fermented milks that are prepared by using starter cultures and controlled fermentation including yoghurt, yoghurt drinks, sour cream, crème fraiche.

DIRA

Dairy Industry Restructuring Act 2001 (New Zealand).

Farmgate Milk Price

The price for milk supplied in New Zealand to Fonterra by farmer shareholders.

Fluid Products

The Fonterra grouping of fluid milk products (skim milk, whole milk and cream – pasteurised or UHT processed), concentrated milk products (evaporated milk and sweetened condensed milk) and yoghurt.

GDT

Global Dairy Trade, the online provider of the twice monthly global auctions of dairy ingredients.

kgMS

Kilogram of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.

MPC

Milk Protein Concentrate.

Non-Reference Products

All dairy products, except for Reference Products, produced by the New Zealand Ingredients business.

Reference Products

The dairy products used in the calculation of the Farmgate Milk Price, which are currently WMP, SMP, BMP, butter and AMF.

Season

New Zealand: A period of 12 months to 31 May in each year.

Australia: A period of 12 months to 30 June in each year.

SMP

Skim Milk Powder.

WMP

Whole Milk Powder.

WPC

Whey Protein Concentrate.

WPI

Whey Protein Isolate.