



Media release

24 September 2014

FONTERRA REVISES 2014/15 FORECAST MILK PRICE AND DIVIDEND

Fonterra Co-operative Group Limited today reduced its forecast Farmgate Milk Price for the 2014/15 season from \$6.00 to \$5.30 per kgMS, and increased and widened the estimated dividend range from 20-25 cents per share to 25-35 cents – amounting to a forecast Cash Payout of \$5.55-\$5.65 for the current season.

Chairman John Wilson said the lower forecast Farmgate Milk Price reflected continuing volatility, with the GlobalDairyTrade price index declining 6 per cent in the past two trading events.

“The market is currently influenced by strong milk production globally, the impact of Russia’s ban on the importation of dairy products, and the levels of inventory in China. Some relief has been provided by exchange rates, with the NZ dollar recently showing some signs of falling against the US dollar

“Under the current market conditions, there is further downside risk. However, the forecast reflects expectations that prices will increase in the medium term,” Mr Wilson said.

Chief Executive Theo Spierings said the estimated dividend range reflected the positive impact of a lower forecast Farmgate Milk Price on product margins but also significant volatility in commodity prices.

“A lower forecast Farmgate Milk Price reduces input costs in our consumer and foodservice businesses. In turn, we do expect to deliver increased returns as a result of a recovery in margins on our products.

“In addition, stream returns for Non-Reference Commodity Products such as cheese and casein are currently making a positive earnings contribution, but it is still very early in the financial year.

“With volatility in commodity prices, a wide range of outcomes are possible in relation to stream returns. The wider dividend range reflects this volatility, and at this stage of the financial year, it is not realistic to be able to accurately forecast the final result for the year within a narrower range.”

Mr Wilson said that the forecast Farmgate Milk Price remained reliant on increasing dairy prices in the medium term.

“The forecast Farmgate Milk Price is reduced based on current estimates of future pricing. There remains significant volatility in international dairy commodity prices and given this, this forecast is our best judgment at this time.

“As always, we recommend caution with regards to on-farm budgets in this environment of continuing uncertainty.”

– ENDS –

Note: currency is New Zealand dollars unless otherwise stated.

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About Fonterra

Fonterra is a global leader in dairy nutrition – the preferred supplier of [dairy ingredients](#) to many of the world's leading food companies. Fonterra is also a market leader with our own [consumer dairy brands](#) in Australia/New Zealand, Asia/Africa, Middle East and Latin America.

The [farmer-owned](#) New Zealand co-operative is the largest processor of milk in the world, producing more than two million tonnes of dairy ingredients, value added dairy ingredients, specialty ingredients and consumer products every year. Drawing on [generations of dairy expertise](#), Fonterra is one of the largest investors in dairy based [research and innovation](#) in the world. Our more than [16,000 staff](#) work across the dairy spectrum from advising farmers on sustainable farming and milk production, to ensuring we live up to exacting quality standards and delivering every day on our customer promise in more than 100 markets around the world.

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