

Media release

10 December 2014

FONTERRA REVISES 2014/15 FORECAST MILK PRICE

Fonterra Co-operative Group Limited today reduced its forecast Farmgate Milk Price for the 2014/15 season from \$5.30 per kgMS to \$4.70 per kgMS. When combined with the previously announced estimated dividend range of 25-35 cents per share, this amounts to a forecast Cash Payout of \$4.95 – \$5.05 for the current season.

Chairman John Wilson said that although farmers were expecting this lower forecast, the revision will put pressure on their farming business budgets.

“There is still considerable volatility in global dairy markets,” said Mr Wilson.

“Right now we are seeing a number of factors that are delaying a sustained return to higher global prices.”

The global milk supply remains greater than demand, which has resulted in GlobalDairyTrade prices for Whole Milk Powder falling 16.9 per cent since late September, while Skim Milk Powder prices have fallen 7.7 per cent.

“Falling oil prices, geopolitical uncertainty in Russia and Ukraine, and subdued demand from China as it continues to work through inventory are all contributing to ongoing volatility and weak demand,” Mr Wilson said.

“Today’s revised forecast reflects the Board and management’s best estimates at this time. Given the uncertainty we are advising farmers to continue to be cautious with budgeting and we will update them as the season progresses.”

Chief Executive Theo Spierings said Fonterra was undertaking a targeted programme to generate more cash to support farmers.

“Cash is important for our farmers and for our Co-operative,” Mr Spierings said. “We will be further strengthening our tight controls on operating expenditure, and will be driving harder on working capital, and deferring capex – provided this does not slow progress on our V3 business strategy.

“This is a clear signal to farmers that we are all in this together. We are tightening our belts, just as they are.”

The Board expects to look at the estimated dividend range at the time it announces its Interim Result.

Fonterra is required to consider its forecast Farmgate Milk Price every quarter as a condition of the Dairy Industry Restructuring Act (DIRA).

– 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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