



GLOBAL DAIRY UPDATE

Welcome to our
January 2015
Global Dairy
Update

IN THIS EDITION

Fonterra milk collection

- New Zealand 3% higher in December 2014 and 4% higher for the season to date
- Australia 3% lower in December 2014 and 6% higher for the season to date

Dairy commodity prices on 6 January 2015

- Fonterra volume sold on GDT of 32,449 MT
- GDT Price Index 3.6% higher than the previous event

2015
Financial Calendar

LATE MARCH 2015
Interim results announcement

1 JUNE 2015
Measurement date for the Share
Standard 2015/16 season

LATE SEPTEMBER 2015
Annual results announcement

1 DECEMBER 2015
Compliance date for the Share
Standard 2015/16 season

FONTERRA MILK COLLECTION

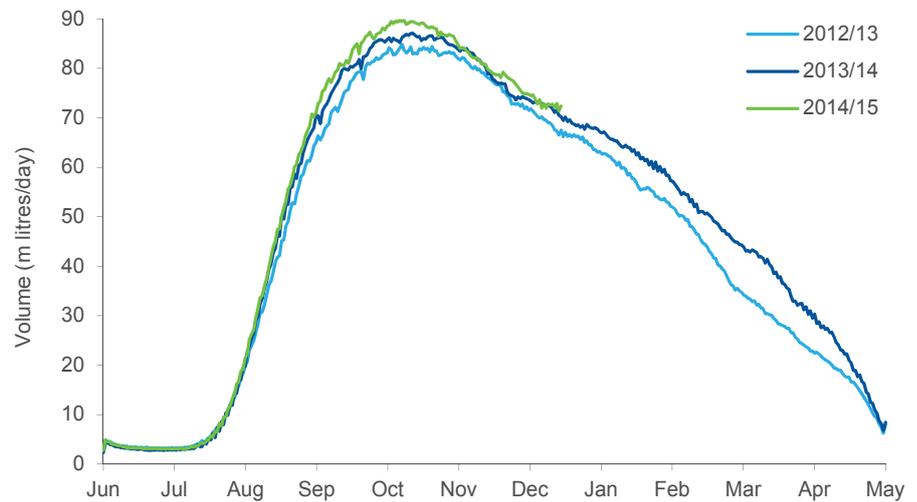
NEW ZEALAND MILK COLLECTION

↑ **3.8%**

972m kgMS

Milk collection in New Zealand for the seven months to 31 December reached 972 million kgMS, four per cent higher than the same period last season. The rate of growth has continued to slow, largely driven by reduced South Island production growth.

NEW ZEALAND



Source: Fonterra Co-operative Group, 6 January 2015

North Island collection in December reached 125 million kgMS, four per cent higher than December last season. Weather conditions brought some rain to many dairy regions in the North Island, supporting grass growth and increased milk production.

South Island collection in December reached 76 million kgMS, one per cent higher than December last season.

Growing conditions have improved in Southland after a cold start to the

season. However, dry conditions are impacting pasture growth across the east coast of the South Island and farmers will be watching this closely as irrigation restrictions may be put in place.

Milk collection in Australia for the six months to 31 December reached 71 million kgMS, six per cent higher than the same period last season.

However, milk collection across Australia in December reached 12.5 million kgMS, three per cent lower than December

last season. Following a strong start to the season, production has slowed as dry conditions impact pasture growth across most of south east Australia. Supplementary feeding has increased due to low pasture availability and irrigation in Tasmania has commenced earlier than last year.

The table below shows Fonterra milk solids collected in New Zealand and Australia for the 2014/15 season compared to the 2013/14 season.

FONTERRA MILK COLLECTION

| FONTERRA MILK COLLECTION (MILLION KGMS) | DECEMBER 2014 | DECEMBER 2013 | MONTHLY CHANGE ² | JUNE 2014 TO DECEMBER 2014 ³ | JUNE 2013 TO DECEMBER 2013 ³ | SEASON-TO-DATE CHANGE ² |
|---|---------------|---------------|-----------------------------|---|---|------------------------------------|
| Total Fonterra New Zealand ¹ | 201 | 195 | 3.0% | 972 | 937 | 3.8% |
| North Island ¹ | 125 | 120 | 4.4% | 634 | 609 | 4.2% |
| South Island ¹ | 76 | 75 | 0.8% | 338 | 328 | 3.0% |
| | | | | JULY 2014 TO DECEMBER 2014 ³ | JULY 2013 TO DECEMBER 2013 ³ | SEASON-TO-DATE CHANGE ² |
| Fonterra Australia | 12.5 | 12.8 | (2.9%) | 70.5 | 66.4 | 6.2% |

1 Milk collection data includes DIRA milk, which is collected and sold to other New Zealand processors.

2 Percentage change reflects the change in the underlying figures and may be different due to rounding in million kgMS.

3 Data includes the period from the first calendar day to the last calendar day of the quoted months.

DAIRY COMMODITY PRICES

**GDT PRICE INDEX
LAST TRADING EVENT:
6 JANUARY 2015**

↑ 3.6%

The table summarises the latest GDT results and provides a snapshot of the rolling year-to-date results.

Fonterra quantity sold on the GDT auction on 6 January 2015 was 32,449 MT.

GDT RESULTS

| | LAST TRADING EVENT (6 JAN 2015) | YEAR TO DATE (1 AUG 2014 TO 6 JAN 2015) |
|--|------------------------------------|---|
| Fonterra quantity sold on GDT (Winning MT) | 32,449 | 484,688 |
| GDT average winning price (US\$ MT/FAS) | \$2,709 | \$2,717 |
| Change in GDT Price Index over same period last year | (46%) | (45%) |
| Change in GDT Price Index from previous event | 3.6% | n/a |

Dairy commodity prices were on average 3.6 per cent higher than the last trading event, with an average winning price of US\$2,709 per MT.

The GDT Price Index for the financial year to date was down 45 per cent compared to the same period last year.

Compared to the last trading event, all commodity prices firmed with significant movements in butter up 13.2 per cent and buttermilk powder up 10.5 per cent. In addition, anhydrous milk fat was up 6.8 per cent, rennet casein up 4.2 per cent, cheddar up 3.2 per cent, skim milk powder up 2.8 per cent per cent and whole milk powder up 1.6 per cent.

GDT PRICE INDEX

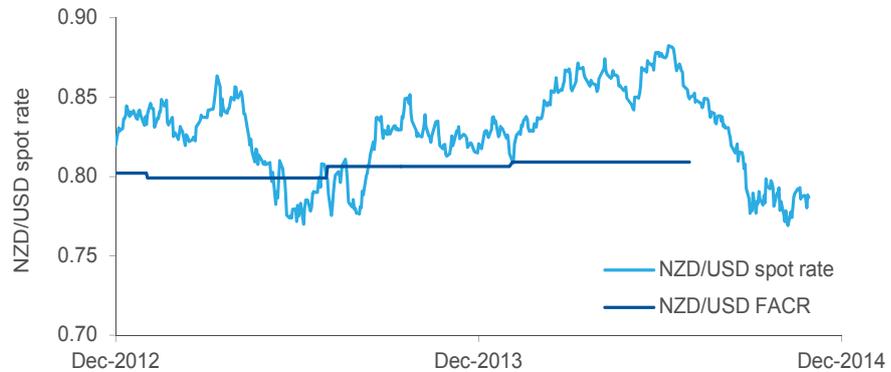


The next trading event will be held on 20 January 2015. Visit www.globaldairytrade.info for more information.

NEW ZEALAND DOLLAR TREND

The chart shows the spot price of the NZD/USD rate from December 2012. The dark blue line is the Fonterra average conversion rate (FACR). It shows Fonterra's foreign currency rate adjusted for the gains and losses arising from Fonterra's currency hedging.

NZD/USD 31 DECEMBER 2012 TO 31 DECEMBER 2014



As at 31 December 2014

GLOSSARY

DIRA

Dairy Industry Restructuring Act 2001 (New Zealand).

Dry shares

Any shares held by a farmer shareholder in excess of the number of shares required to be held by that farmer shareholder in accordance with the minimum shareholding requirement for a season.

Farmgate Milk Price

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

GDT Price Index

All GDT price indices are chain-linked Fisher indices using winning quantities and winning prices. For the period prior to April 2010, the GDT Price Index and the anhydrous milk fat (AMF), SMP and WMP price indices use GDT prices and quantities where available, and USDA Dairy Market News prices and GTIS export volumes elsewhere. USDA Western Europe average price for butter oil is used for AMF prior to December 2009, USDA Oceania average price for SMP is used prior to April 2010 and USDA Oceania average price for WMP is used prior to August 2008.

Reference Commodity Products

The commodity dairy products used in the calculation of the Farmgate Milk Price, which are currently whole milk powder, skim milk powder, buttermilk powder, butter and anhydrous milk fat.

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.

Share Standard

The number of shares a farmer shareholder is required from time to time to hold as determined in accordance with the Constitution. The Fonterra Board may permit the Share Standard to be satisfied through the holding of both shares and vouchers.

V3

Fonterra's growth strategy based on accelerating volume, value and velocity.

Voucher

A certificate that is provided to a farmer shareholder upon transfer of the Economic Rights of a wet share to the Fonterra Shareholders' Fund in accordance with the Trust Deed.

Wet shares

Any shares held by a farmer shareholder that are required to be held in accordance with the minimum shareholding requirement for a season.