

Market Announcement

29 JANUARY 2015

FONTERRA MILK VOLUME FORECAST REDUCED

Fonterra Co-operative Group Limited has reduced its milk volume forecast for the 2014-15 season to 1,532 million kgMS, reflecting the impact of dry weather on production in recent weeks.

The new forecast is 3.3 per cent lower than the 1,584 million kgMS collected last season. The previous milk volume forecast, made in December last year, was 1,584 million kgMS.

Group Director Co-operative Affairs Miles Hurrell said daily milk production was now 6.1 per cent lower than at the same time last season, as farmers appear to be using more traditional practices to manage their farm businesses with the low payout forecast.

"In the first half of the season, excellent pasture conditions resulted in milk volumes being higher than the previous season.

"The situation has changed significantly over the course of this month.

"In some regions where pasture quality has declined markedly since mid-January, we are seeing some farmers drying off cows early. There also appears to be a reduction in feed supplements, as the economics do not support their widespread use this season," said Mr Hurrell.

Fonterra has confirmed that it can meet all current sales commitments. However, in light of the reduced milk volume forecast, it is planning to reduce the quantity of product offered on the GlobalDairyTrade auction platform, and via direct sales channels.

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