

Market Announcement

22 JULY 2016

AMENDED GLOBAL DAIRY UPDATE JULY 2016

Fonterra Co-operative Group Limited has released an amended Global Dairy Update for July 2016. An error has been corrected on pages 5 and 10. The previous version had the decrease in Fonterra's New Zealand milk collection for the season to date from 1 June as 10%. This should have read 1.4% (rounded to 1%).

This error was caused by a modelling inaccuracy resulting from the change in days with 2016 being a leap year.

The corrected Global Dairy Update for July 2016 is attached.

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JULY 2016

GLOBAL DAIRY UPDATE



- Milk production growth is slowing in Europe with declines for many key producers.



- Dairy exports remain strong for New Zealand, Australia and Europe but the United States is down largely due to increased domestic demand.



- China and Latin America continue to see strong growth in dairy imports, while in Asia, the Middle East and Africa imports have softened.



- In June, Fonterra New Zealand milk collection reached 10 million kgMS and Fonterra Australia milk collection reached 6 million kgMS.

- Global ingredients delivers record shipments in June and inventory levels in line with expectations.
- Continued progress in our key Asian markets with improved e-commerce coverage in China and growth in Vietnam.



- Fonterra farmers take out the 2016 Green Ribbon Awards.
- Z Biodiesel Partnership Launch.
- KickStart Breakfast Club Awards.



KEY DATES



31 July 2016
End of Financial Year 2016

22 September 2016
Annual Results Announced

November 2016
Fonterra Annual Meetings

1 December 2016
Shareholding Compliance
Date for the 2016/17 Season



MILK PRODUCTION GROWTH IS SLOWING IN EUROPE WITH DECLINES FOR MANY KEY PRODUCERS

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

NEW ZEALAND

2%↓

Production change for the 12 months to May 2016

Total New Zealand milk production increased 4% in May compared to the same month last year.

In New Zealand, volumes decrease at this time of year due to the seasonality of supply. However, generally favourable conditions across many dairying regions have supported late season milk production.

For the 12 months to May, milk production is down 2% compared to the same period the previous year.

AUSTRALIA

1%↓

Production change for the 12 months to May 2016

Australia production in May decreased 6% compared to the same month last year. Production has been impacted by the low milk price environment.

Production for the 12 months to May decreased 1% compared to the same period the previous year.

EUROPEAN UNION

4%↑

Production change for the 12 months to April 2016

EU production in April increased 1% compared to the same month last year. This was the lowest rate of increase since early 2015 with half of the top eight producers decreasing production compared to the same month the previous year. Production for the 12 months to April increased 4% compared to the same period the previous year. The major contributors are Ireland up 16%, the Netherlands up 13%, Poland up 5% and Germany up 4%. Despite this growth, the EU Commission is forecasting 2016 milk deliveries to increase only 1.4%.¹

USA

1%↑

Production change for the 12 months to May 2016

US production in May increased 2% compared to the same month last year.

Milk production for the 12 months to May has increased 1% compared to the same period the previous year.

The United States Department of Agriculture has reviewed its forecast milk production to 1.9% up in 2016.²

¹ EU Commission Short-Term Outlook – Winter 2016.

² World Agricultural Supply and Demand Estimates Report – June 2016.



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

DAIRY EXPORTS REMAIN STRONG FOR NEW ZEALAND, AUSTRALIA AND EUROPE BUT THE UNITED STATES IS DOWN LARGELY DUE TO INCREASED DOMESTIC DEMAND

NEW ZEALAND

4%↑

Export change for the 12 months to May 2016

Total New Zealand dairy exports in May increased 9% compared to the same month last year. Increases were seen across all of the major dairy categories excluding cheese which decreased 7%.

Exports for the 12 months to May increased 4%, or 111,000 MT, compared to the same period the previous year. This increase is largely driven by AMF up 11%, cheese up 10% and butter up 2%.

In addition, infant formula and fluid and fresh dairy have increased 59% and 34% respectively.

AUSTRALIA

6%↑

Export change for the 12 months to April 2016

Australia dairy exports in April increased 13% compared to the same month last year, driven by whey powder up 113%, fluid and fresh dairy up 49% and WMP up 17%.

Exports for the 12 months to April increased 6%, or 42,000 MT, compared to the same period the previous year. This increase was largely due to fluid and fresh dairy up 13%, cheese up 12% and SMP up 5%.

EUROPEAN UNION

11%↑

Export change for the 12 months to March 2016

EU dairy exports increased 10% in March compared to the same month the previous year, largely due to fluid and fresh dairy up 34% and cheese up 16%.

Exports increased 11%, or 487,000 MT, for the 12 months to March compared to the same period last year. The largest movers were fluid and fresh dairy up 27%, or 296,000 MT, whey powder up 12%, or 49,000 MT, and cheese up 7%, or 50,000 MT.

USA

8%↓

Export change for the 12 months to April 2016

US dairy exports in April decreased 20%, or 42,000 MT, compared to the same month the previous year. Significant decreases were seen across all the major dairy categories including cheese, whey powder, lactose and SMP all decreasing over 20%.

Exports for the 12 months to April decreased 8%, or 170,000 MT, compared to the same period last year. This is driven by whey powder down 20% and cheese down 18%.

This decrease in exports is largely a result of strong domestic demand, particularly butter, cheese and whey powder.



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

CHINA AND LATIN AMERICA CONTINUE TO SEE STRONG GROWTH IN DAIRY IMPORTS, WHILE IN ASIA, THE MIDDLE EAST AND AFRICA IMPORTS HAVE SOFTENED

LATIN AMERICA

11% ↑

Import change for 12 months to March 2016

Latin America¹ dairy import volumes increased 13% in March compared to the same month the previous year, with the most significant increase being WMP up 89%. In addition cheese was up 8%, SMP up 6% and infant formula up 5%.

Imports for the 12 months to March remain strong, up 11%, or 167,000 MT compared to the same period last year. Increases were seen across all major dairy categories, in particular milk powders, with WMP up 31% and SMP up 19%. Cheese also increased 15% over the same period.

ASIA

4% ↑

Import change for 12 months to March 2016

Asia (excluding China)² dairy import volumes decreased 8% in March compared to the same month the previous year. This was due to WMP down 24%, SMP down 23% and whey powder down 16%. This was partially offset by fluid and fresh dairy and cheese up 16% and 9% respectively.

Imports for the 12 months to March are up 4%, or 148,000 MT, compared to the same period the previous year. This is a result of cheese up 8%, fluid and fresh dairy up 7% and SMP up 4%.

MIDDLE EAST & AFRICA

4% ↓

Import change for 12 months to March 2016

Middle East and Africa³ dairy imports decreased 17% in March compared to the same month the previous year. This decrease was largely a result of milk powders with SMP down 32%, or 14,000 MT and WMP down 28%, or 24,000 MT.

For the 12 months to March, imports are down 4%, or 146,000 MT, compared to the same period last year. Over this period SMP was down 20%, WMP down 8% and cheese down 3%, only partially offset by fluid and fresh dairy up 7%, and infant formula up 2%.

CHINA

23% ↑

Import change for 12 months to May 2016

China dairy imports increased 30%, or 47,000 MT, in May compared to the same month last year. Significant increases were seen across most of the major dairy categories, in particular fluid and fresh dairy up 110%, infant formula up 33% and WMP up 17%.

Imports for the 12 months to May are up 23%, or 410,000 MT, compared to the same period last year with fluid and fresh dairy up 68%, infant formula up 47% and whey powder up 18%. This growth is partially offset by WMP and SMP down 5% and 2% respectively.

¹ Excludes Venezuela and includes estimates for Costa Rica in March and Nicaragua from January.

² Includes estimate for Indonesia in March.

³ Includes estimate for Algeria from December 2015, and Egypt from January.

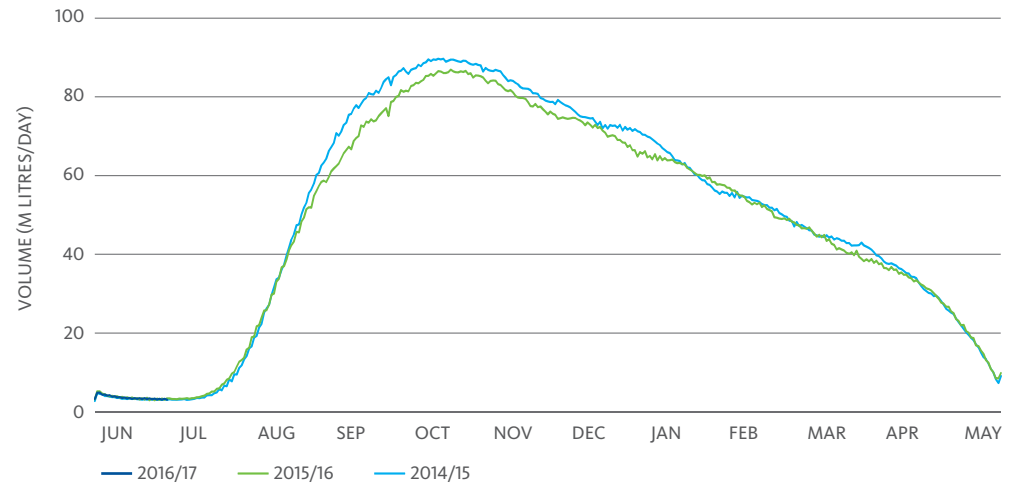
OUR MARKETS

FONTERRA MILK COLLECTION 2016/17 SEASON



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

NEW ZEALAND MILK COLLECTION



NEW ZEALAND

1% ↓

Decrease for the season to date from 1 June compared to last season

Fonterra's milk collection across New Zealand in June, the first month of the 2016/17 season, reached 10 million kgMS.

The change in production comes at a time of year when milk production is at a seasonal low, with most farmers having dried off in preparation for spring calving.

NORTH ISLAND

0%

Decrease for the season to date from 1 June compared to last season

North Island milk collection in June reached 7.6 million kgMS, in line with June last season.

SOUTH ISLAND

7% ↓

Decrease for the season to date from 1 June compared to last season

South Island milk collection in June reached 2.3 million kgMS, slightly behind June last season.

AUSTRALIA

4% ↓

Decrease for the 2015/16 season compared to the previous season

Fonterra's milk collection across Australia in June, the last month of the 2015/16 season, reached 6 million kgMS, 26% lower than June last season.

Late season milk production continues to be heavily impacted by the reduction in Australian milk prices to align with global dairy prices.

For the full 2015/16 season, milk collection across Australia reached 121 million kgMS, 4% behind the 2014/15 season.

OUR MARKETS

FONTERRA GLOBALDAIRY TRADE RESULTS



Fonterra GDT results at
last trading event
5 July 2016:

0.9 % ↓

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

USD **2,376**

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

30.6

Fonterra product quantity
sold on GDT (000' MT)

SMP

2.2 % ↑

USD 1,940/MT

RENNET CASEIN

2.2 % ↑

USD 5,227/MT

CHEDDAR

0.7 % ↑

USD 2,902/MT

AMF

0.1 % ↑

USD 3,621/MT

WMP

2.7 % ↓

USD 2,062/MT

BUTTER

2.8 % ↓

USD 2,828/MT

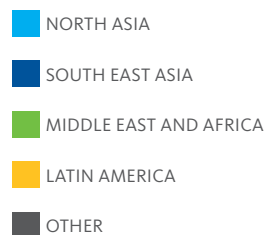
BMP

10.7 % ↓

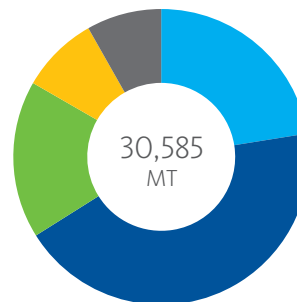
USD 1,541/MT

Fonterra GDT sales
by destination:

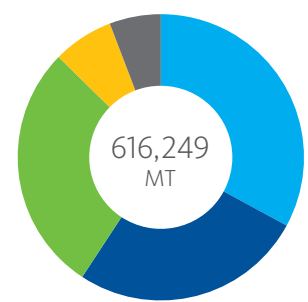
To view more information,
including a snapshot of the
rolling year-to-date results –



LATEST AUCTION



**FINANCIAL
YEAR-TO-DATE**



► The next trading event will be held on 19 July 2016. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

In June the New Zealand
dollar continued to
strengthen against the
US dollar.



OUR PERFORMANCE



Record shipments and inventory on plan for ingredients

Fonterra exported record volumes in June with over 210,000 MT shipped from New Zealand to global markets.

This built upon the record volume for a single month, seen in December 2015 when more than 300,000 MT was shipped to global markets.

This reflects the successful performance of our direct-to-customer ingredients sales,

despite the tough global market environment.

Strong sales means our ingredients inventory levels are in line with our expectations. Our closing inventory at year end is forecast to be significantly lower than last year.

This is a result of a consistent focus throughout the year on continuing to improve our supply chain and working capital position to maximise value for our shareholders.

The lower forecast milk supply for the 2016/17 season, combined with lower closing stock means global ingredients will start the new financial year with a much tighter stock position than we have in recent years.

Continued progress in our key Asian markets

China Brands

The rise in disposable income among the Chinese population is increasing demand for dairy products, especially in lower tier cities. To help capture this demand, we have signed an agreement with JD.com, one of the leading e-commerce platforms in China.

This agreement will allow us to offer Anchor™ UHT milk and powder through JD New Channel, aiming to reach smaller stores and diverse regions throughout China.

JD New Channel is an online-to-offline platform launched earlier this year and it enables retailers to order stock directly from an app. This can remove the need to deal with many different traditional distributors.

This e-commerce model is a good sales channel for Anchor™ as one of the leading imported UHT brands.

At present, JD New Channel covers Hebei, Jiangsu, Sichuan, Shandong and Beijing provinces, currently

comprising 15,000 stores and plans are to increase that to 50,000 by the end of this year.

Through JD's logistics, wide store coverage and ground service teams, we can improve our channel coverage and lower costs while more consumers in lower tier cities gain access to our high-quality dairy products.

Growth in South East Asia

Vietnam is rapidly expanding and an important market for our Co-op. Every hour of every day, Vietnamese people are consuming dairy products that are equivalent to 619,000 glasses of milk.

We've been supplying ingredients to Vietnamese customers for around 40 years and Fonterra exports over 300 containers of dairy ingredients into Vietnam each month.

NZMP has a distribution partner on the ground to capture the growing demand for high quality dairy ingredients – enabling us to grow ingredients sales into Vietnam by 50 per cent over the last five years.

Our new foodservice brand – Anchor™ Food Professionals – currently holds a strong market share position in Vietnam.

Every month people consume over eight million

serves of our Anlene™ high-calcium milk, while Annum Materna™ supports expecting mums, including with the Annum Materna™ app which is used by 800,000 Vietnamese mothers.

We are well-placed to expand our offerings to the Vietnamese – with our high-quality products and innovative solutions. Together with local demand outstripping production, this market continues to present us with great opportunities.



Fonterra farmers take out the 2016 Green Ribbon Awards



Fonterra farmers and Living Water partners Garry and Adrienne Dalton of Te Whangai Trust have been named Supreme Winner of the Ministry for the Environment's 2016 Green Ribbon Award.

The awards, which recognise the outstanding contributions made by individuals, organisations, businesses and communities to protecting and enhancing New Zealand's environment,

were recently announced at Parliament.

Garry and Adrienne of Te Whangai Trust took out the award for their biodiversity project tagged "Nurture the

land, give life to the people".

They were also awarded winner of the Community Leadership category, for the project's outstanding social and environmental value.



Z Biodiesel Partnership Launch



Fonterra and Z launched a partnership at the Edgumbe site this month, with the switch to Z's new B5 biodiesel.

Fonterra will be the first company in New Zealand to adopt the new ZBioD biodiesel, which has the potential to reduce emissions by up to 4% for each tanker using it.

As foundation customers, the commitment to introduce the cleaner burning fuel to the tanker fleet is helping Z bring biofuel to New Zealanders whilst supporting more sustainable energy sources.

Edgumbe is the first of five tanker fleets that will make the switch, including Te Rapa, Te Awamutu, Waitoa and Reporoa.

KickStart Breakfast Club Awards

Entries have closed for the KickStart Breakfast awards, which were highlighted during National Volunteers Week.

KickStart Breakfast is Fonterra's partnership with Sanitarium and the Ministry of Social Development and serves more than 100,000

breakfasts to school children throughout the country every week.

Each year it recognises those who work behind the scenes with awards celebrating the breakfast club of the year, volunteer of the year and school of the year.

Every morning people get up at the crack of dawn to help provide a caring environment to share breakfast and start the day with Sanitarium Weetbix™ and Anchor™ Milk.



Tawhero School — KickStart Breakfast Club Winners 2015



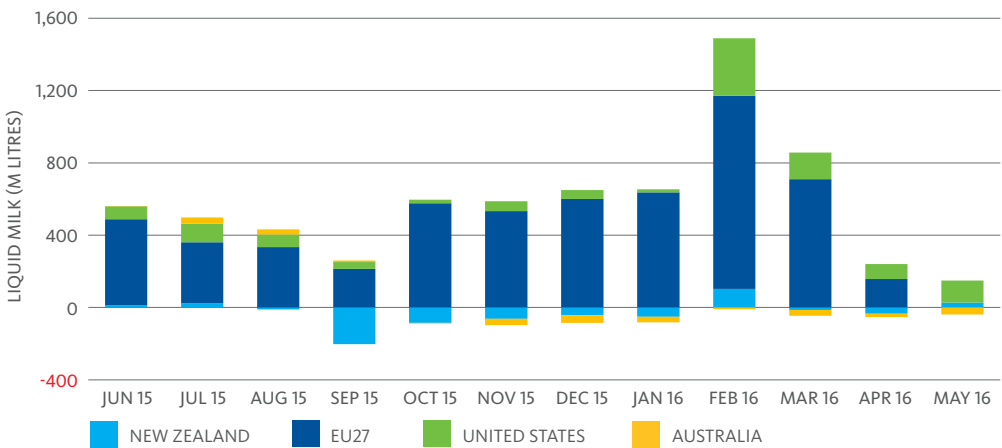
SUPPLEMENTARY INFORMATION

Global Dairy Market

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

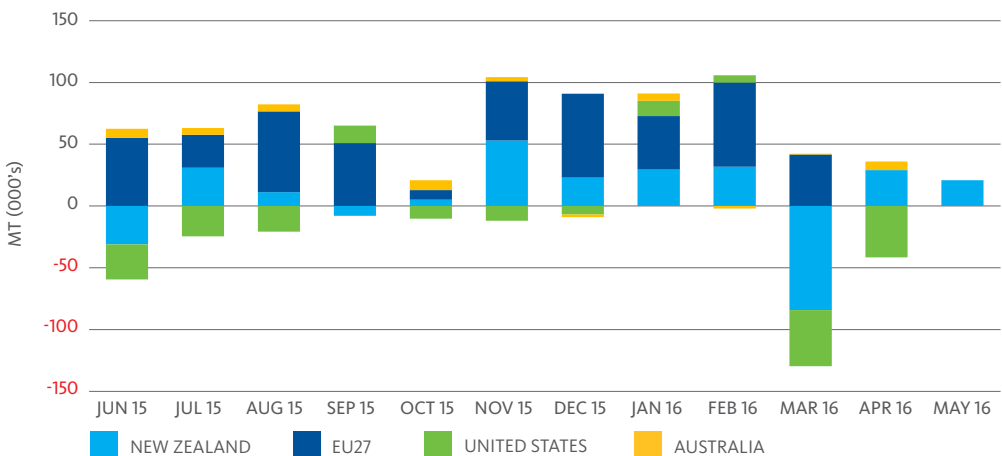
The absolute size of the bars represents the change in production, exports or imports, relative to the same period the previous year.

PRODUCTION



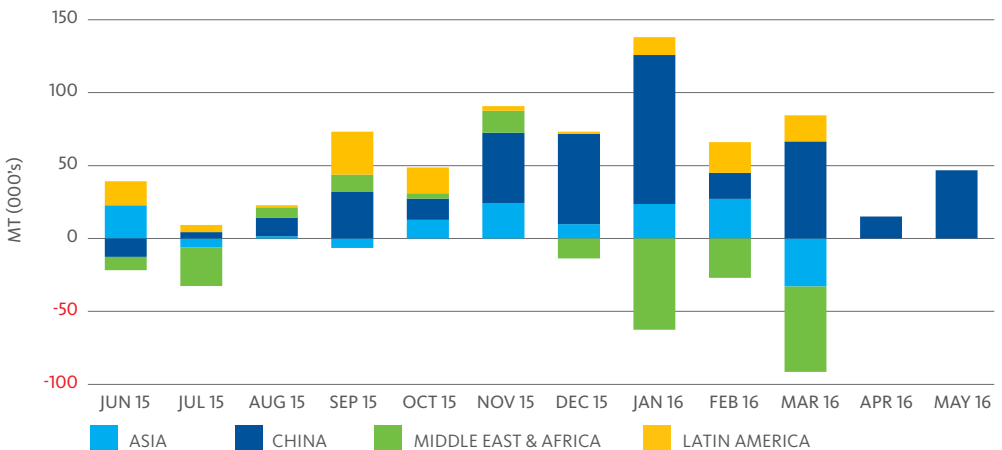
NOTE: Data for EU to April; New Zealand, US and Australia to May.

EXPORTS



NOTE: Data for EU to March; US and Australia to April and New Zealand to May.

IMPORTS



NOTE: Data for Asia, Middle East and Africa and Latin America to March, China to May.

SOURCE: Government milk production statistics/GTIS trade data/Fonterra analysis.

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.

MILK COLLECTION (MILLION KGMS)	JUNE 2016	JUNE 2015	MONTHLY CHANGE	SEASON- TO-DATE 2016/17	SEASON- TO-DATE 2015/16	SEASON- TO-DATE CHANGE
Total Fonterra New Zealand	9.9	10.0	(1.4%)	9.9	10.0	(1.4%)
North Island	7.6	7.6	0.5%	7.6	7.6	0.5%
South Island	2.3	2.5	(7.2%)	2.3	2.5	(7.2%)

MILK COLLECTION (MILLION KGMS)	JUNE 2016	JUNE 2015	MONTHLY CHANGE	SEASON- TO-DATE 2015/16	SEASON- TO-DATE 2014/15	SEASON- TO-DATE CHANGE
Fonterra Australia	6.0	8.1	(26%)	121.3	126.9	(4%)

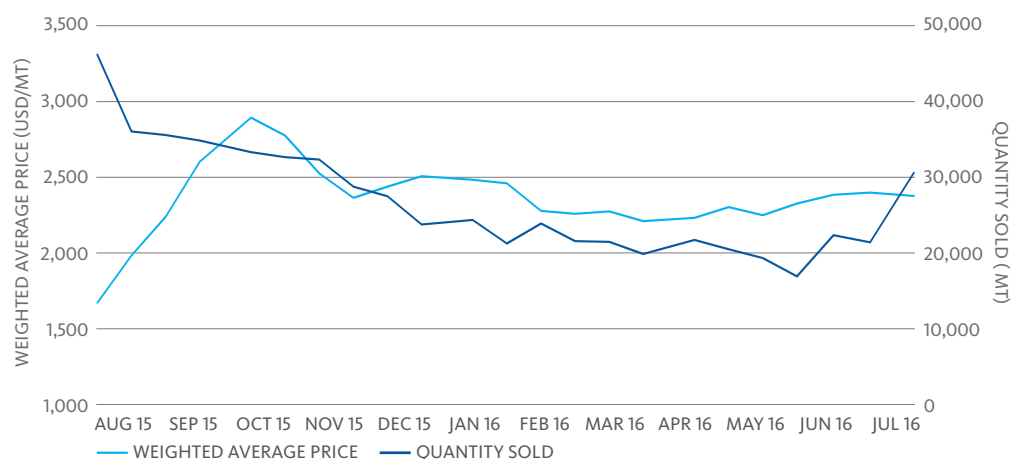
Fonterra GDT results

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

	LAST TRADING EVENT (5 JULY 2016)	YEAR-TO-DATE (FROM 1 AUGUST 2015)
Quantity Sold on GDT (Winning MT)	30,585	616,249
Change in Quantity Sold on GDT over same period last year	(5.4%)	(21.2%)
Weighted Average Product Price (USD/MT)	2,376	2,348
Change in Weighted Average Product Price over same period last year	4.4%	(14.4%)
Change in Weighted Average Product Price from previous event	(0.9%)	–

Fonterra GDT Results

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



GLOSSARY

AMF

Anhydrous Milk Fat.

BMP

Butter Milk Powder.

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 and Fresh Dairy

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.

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.