

Market Announcement

23 FEBRUARY 2017

FONTERRA CONFIRMS 2016/17 FORECAST FARMGATE MILK PRICE

Fonterra is required to consider its forecast Farmgate Milk Price every quarter as a condition of the Dairy Industry Restructuring Act. For this purpose, Fonterra Co-operative Group Limited today confirmed the forecast Farmgate Milk Price of \$6.00 per kgMS announced in November.

When combined with the forecast earnings per share range for the 2017 financial year of 50 to 60 cents, the total pay-out available to farmers in the current season is forecast to be \$6.50 to \$6.60 before retentions.

Fonterra Chairman John Wilson says the Co-operative is confident that this forecast is at the right level, following the 75 cent rise in its forecast Farmgate Milk Price in November last year.

"The global outlook for dairy remains positive. Since November, the global market for commodity dairy products has remained relatively balanced and we expect global prices to continue to hold or gradually increase over the back half of this season – a view shared by most global analysts," said Mr Wilson.

Fonterra also announced that it would increase the monthly Advance Rate it pays to farmers. The Advance Rate for February, paid in March, has increased to \$4.85 per kgMS.

"Our confidence in the global dairy market at this stage of the season, combined with the strength of our Co-operative, has enabled us to increase the monthly Advance Rates more than we normally would at this time of the year," said Mr Wilson.

Fonterra's Global Dairy Update for February reported that the Co-operative's New Zealand milk collections were showing signs of recovery. Originally expected to be down seven per cent for the season, the New Zealand collections forecast has now improved to a five per cent decline on last season.

ENDS

For further information contact:

Simon Till
Director Capital Markets
Phone: +64 21 777 807