

Market Announcement

27 July 2017

FONTERRA ANNOUNCES LIFT IN FARMGATE MILK PRICE FORECAST FOR 2017/18

Fonterra Co-operative Group Limited today announced an increased forecast Farmgate Milk Price for the upcoming 2018 season, to \$6.75 per kilogram of milksolids (kgMS).

The Co-operative also announced a forecast earnings per share range of 45 to 55 cents, making the forecast total available payout to farmers in the 2017/2018 season \$7.20 to \$7.30, before retentions. Guidance regarding dividend payments will be provided as part of the interim financial results and will be considered by the Board in accordance with its dividend policy.

Chairman John Wilson says the revised forecast Farmgate Milk Price is a lift of 25 cents on the original forecast of \$6.50 per kgMS in May 2017 and reflects the ongoing rebalancing of supply and demand in global dairy markets

“We are seeing growing confidence on-farm across the country and, with global demand for dairy strengthening, the signs are for a good start to the season for our farmers and their rural communities although following a challenging period of very wet conditions for some of our farmers,” says Mr Wilson.

“The increased Farmgate Milk Price will be welcome news to farmers as they continue to invest in their businesses off the back of an improved 2016/2017 season, with the usual reminder to budget cautiously especially in the early part of the season.”

Chief Executive Theo Spierings says the Co-operative is well positioned to take advantage of improving demand for dairy nutrition across our ingredients, consumer and foodservice markets.

“Increasing numbers of consumers in our global markets prefer dairy for their everyday source of nutrition, and that is converting into strong demand particularly in consumer and foodservice products,” says Mr Spierings.

“Our forecasts are prudent given that we are still early in the season and we are starting with very low levels of inventory, and we are focused on continuing to demonstrate strong business performance so as to bring greater returns for our farmers.”

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