



Market Announcement

29 December 2017

FONTERRA REVISES MILK COLLECTION FORECAST

Fonterra Co-operative Group Limited today revised the forecast for its New Zealand milk collections for the current 2017/2018 season to 1,480 million kilograms of milk solids (kgMS), down from its forecast in November 2017 of 1,525 million kgMS.

Fonterra's revised forecast of 1,480 million kgMS is down around 4% on the 2016/2017 season which itself was negatively impacted by weather conditions.

Wet conditions experienced by farmers at the beginning of spring improved from late October and into November, but recent dry weather is continuing to impact soil moisture and pasture quality right across the country. Dry conditions are expected to continue, and even if the rain forecast for early in 2018 eventuates, it will not be enough to bring production back to previously anticipated levels.

Fonterra has begun to take volumes of whole milk powder off the Global Dairy Trade platform in response to lower milk supply, and has a programme in place to carefully manage sales both on and off GDT for the rest of the season as a result of the current weather conditions.

ENDS

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About Fonterra

Fonterra is a global leader in dairy nutrition – the preferred supplier of dairy ingredients to many of the world's leading food companies. It is also a market leader with its own consumer dairy brands in New Zealand and Australia, Asia, Africa, the Middle East and Latin America. Fonterra is a farmer-owned co-operative and the largest processor of milk in the world. It is one of the world's largest investors in dairy research and innovation drawing on generations of dairy expertise to produce more than two million tonnes of dairy ingredients, value added dairy ingredients, specialty ingredients and consumer products for 140 markets.