APRIL 2018

GLOBAL DAIRY UPDATE

Dairy for life

OUR MARKETS

- Import demand for dairy softened across all regions for the month. China imports down for the first time since May last year.

- Continued steady export growth from the EU and the US. New Zealand and Australia exports up for the month.

- New Zealand production flat for the last twelve months. Increased production from the EU continues.

- In March, Fonterra New Zealand milk collection was down 3% to 143 million kgMS, and Fonterra Australia collection was up 32% to 11 million kgMS compared to March last year.

OUR PERFORMANCE

- Anchor brand expands with return of Anchor cheese.
- Farmers see state of the art plant first hand.

OUR CO-OP

- Co-op farmers dominate New Zealand Dairy Industry Awards.

KEY DATES

Late May 2018 Q3 Business Update Announcement	1 June 2018 Measurement Date for Share Standard 2018/19 Season	September 2018 FY18 Annual Results Announcement	1 December 2018 Compliance Date for Share Standard 2018/19 Season

IMPORT DEMAND FOR DAIRY SOFTENED ACROSS ALL REGIONS FOR THE MONTH. CHINA IMPORTS DOWN FOR THE FIRST TIME SINCE MAY LAST YEAR

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

CLICK HERE

LATIN AMERICA

1% ↑

Import change for the 12 months to December 2017

Latin America's dairy import volumes[1] decreased 10% or 16,000 MT in December compared to the same month the previous year. This decline was driven by cheese, AMF, fluid and fresh dairy and WMP which were down a combined 20% or 17,000 MT.

Imports for the 12 months to December were up 1% or 16,000 MT. While WMP and cheese imports were down 86,000 MT, or 13%, this was more than offset by increases in most other categories in particular SMP and whey powder.

ASIA

1% ↑

Import change for the 12 months to December 2017

Asia (excluding China) dairy import volumes[1] decreased 6% or 22,000 MT compared to December last year. This was largely due to a 23%, or 20,000 MT, decline in SMP.

Imports for the 12 months to December were up 1%, or 31,000 MT, compared to the same period the previous year.

This was primarily driven by growth in cheese, and WMP imports, up 7% or 80,000 MT, partially offset by declines in SMP, whey powder and infant formula, down a combined 58,000 MT.

MIDDLE EAST & AFRICA

2% ↓

Import change for the 12 months to December 2017

Middle East and Africa dairy imports[1] in December decreased 1%, or 3,000 MT, compared to the same month the previous year.

This was mainly due to a decline in fluid and fresh dairy, down 20,000 MT, partially offset by a combined 16,000 MT increase in WMP and butter imports.

Imports for the 12 months to December were down 2%, or 72,000 MT. Declines were seen across most of the key import categories except fluid and fresh dairy and SMP which were up a combined 4%, or 63,000 MT for the period.

CHINA

16% ↑

Import change for the 12 months to February 2018

China dairy imports were down 10% or 21,000 MT in February compared to the same month last year, on the back of declines in WMP, fluid and fresh dairy and cheese.

February imports were down following the significant increase in January, as the market is believed to have retained some of the additional product imported in January.

Imports for the 12 months to February were up 16%, or 374,000 MT, compared to the same period last year, with growth seen across all categories apart from casein and lactose, which were down a combined 1,400 MT.

1 Estimates are included for those countries that have not reported data.

CONTINUED STEADY EXPORT GROWTH FROM THE EU AND THE US.
NEW ZEALAND AND AUSTRALIA EXPORTS UP FOR THE MONTH

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

CLICK HERE

NEW ZEALAND

0%

Export change for the 12 months to February 2018

Total New Zealand dairy exports in February increased 4%, or 11,000 MT, compared to the same month last year.

Growth was again driven by WMP and fluid and fresh dairy, up a combined 12%, or 16,000 MT, for the month, slightly offset by declines in cheese, lactose and AMF.

Exports for the 12 months to February were flat on the previous comparable period.

While there has been a substantial increase in exports of fluid and fresh dairy and WMP, two of the largest export categories, which were up a combined 117,000 MT, or 7%, this was offset by declines across most other categories.

AUSTRALIA

0%

Export change for the 12 months to February 2018

Australia dairy exports increased 16%, or 9,000 MT, in February compared to the same month the previous year. This was largely driven by exports of SMP, fluid and fresh dairy and WMP, up a combined 27%, or 9,000 MT, compared to the same month last year.

Exports for the 12 months to February were flat on the previous comparable period.

There were increased exports of fluid and fresh dairy and infant formula, up 38,000 MT and 7,000 MT respectively, however most other export categories including WMP, whey powder and butter, declined for the period.

EUROPEAN UNION

6% ↑

Export change for the 12 months to January 2018

EU dairy exports in January increased by 10%, or 39,000 MT, compared to the same month last year.

Exports grew for all categories except WMP and caseinate, which were down a combined 9,000 MT. Growth was primarily driven by fluid and fresh dairy, infant formula and whey powder, up a combined 33,000 MT, or 19%.

Exports for the 12 months to January were up 6%, or 323,000 MT, on the previous comparable period. Exports grew in most of the key categories, in particular SMP which grew 213,000 MT, or 37%, and infant formula which grew 74,000 MT, or 15%.

USA

6% ↑

Export change for the 12 months to February 2018

US dairy exports in February increased by 18%, or 31,000 MT, compared to the same month last year.

There were increases across all but three of the export categories this month. SMP, lactose and whey powder led the increase, up a combined 23,000 MT, or 22%.

Exports for the 12 months to February were up 6%, or 126,000 MT, on the previous comparable period.

Increases were seen across most export categories, in particular cheese, whey powder and SMP, which were up a combined 116,000 MT.

NEW ZEALAND PRODUCTION FLAT FOR THE LAST TWELVE MONTHS.

INCREASED PRODUCTION FROM THE EU CONTINUES

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

CLICK HERE

NEW ZEALAND

0%

Production change for the 12 months to March 2018

Total New Zealand milk production in March was down 1% compared to the same month last year.

Although weather conditions across most of the country have shown signs of improvement in recent weeks, overall production is down compared to March last year.

For the 12 months to March, milk production was flat compared to the same period the previous year.

Fonterra collections have been reported for March, see page 5 for details.

AUSTRALIA

1% ↑

Production change for the 12 months to February 2018

Australia milk production in February increased 2% compared to the same month last year, largely due to favourable weather conditions.

Production for the 12 months to February was up 1% compared to the same period the previous year.

Milk production growth continues to be steady, particularly in south east Australia, where improved seasonal conditions and cost efficiencies have increased production.

Fonterra collections in Australia have been reported for March, see page 5 for details.

EUROPEAN UNION

3% ↑

Production change for the 12 months to February 2018

EU milk production in February was up 3% compared to the same month last year.

Production increased across most of the EU in February, with the United Kingdom, Ireland, Poland and Italy showing the most growth, up a combined 2%. Growth in the EU is primarily due to increased spring production.

Production for the 12 months to February was up 3% compared to the same period the previous year.

USA

2% ↑

Production change for the 12 months to February 2018

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

The increase in production continues to be driven by larger herd numbers and improved production per cow.

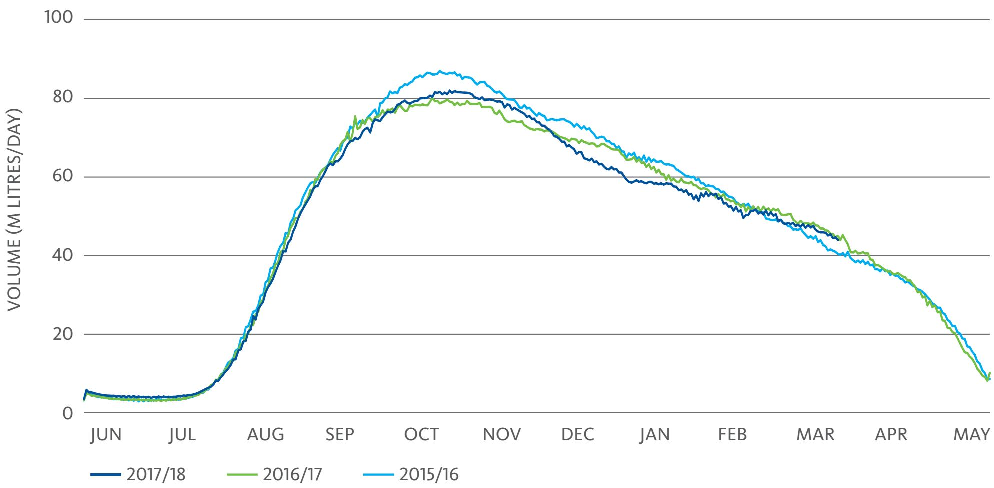
Milk production for the 12 months to February increased by 2% compared to the same period the previous year.

FONTERRA MILK COLLECTION 2017/18 SEASON

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

CLICK HERE

NEW ZEALAND MILK COLLECTION



NEW ZEALAND

2% ↓

Decrease for the season from 1 June to 31 March

Fonterra's milk collection across New Zealand was 143 million kgMS in March, 3% behind March last season.

While some northern regions had higher collections this month, overall production is down relative to the strong late season production last year. For the ten months to 31 March, milk collection was 1,314 million kgMS, 2% behind last season. The difficult weather experienced this season has contributed to the decline.

NORTH ISLAND

3% ↓

Decrease for the season from 1 June to 31 March

North Island milk collection in March reached 79 million kgMS, 6% down on March last season.

SOUTH ISLAND

1% ↓

Decrease for the season from 1 June to 31 March

South Island milk collection in March reached 64 million kgMS, 1% above March last season.

AUSTRALIA

26% ↑

Increase for the season from 1 July to 31 March

Fonterra's milk collection across Australia in March reached 11 million kgMS, 3 million kgMS higher than March last season.

The increase in March is due to a combination of increased milk supply to Fonterra and favourable seasonal conditions supporting production growth from new and existing Fonterra suppliers.

Forecast Fonterra Milk Collection Across New Zealand

1,500M KGMS

Decrease of 2% on last season

As we near the end of the season, milk supply trends over recent months mean that our latest full season milk collection volumes are now forecast to be 2% lower than last season.

This is an improvement from our previous forecast of 1,480 million kgMS.

OUR MARKETS

FONTERRA GLOBALDAIRYTRADE RESULTS

Fonterra GDT results at last trading event
17 April 2018:

2.9% ↑	USD 3,701	18.1 000' MT
Change in Fonterra's weighted average product price from previous event	Fonterra's weighted average product price (USD/MT)	Fonterra product quantity sold on GDT

AMF
5.4% ↑
USD 6,120/MT

CHEDDAR
4.8% ↑
USD 3,855/MT

BUTTER
2.9% ↑
USD 5,654/MT

SMP
2.8% ↑
USD 1,947/MT

RENNET CASEIN
2.2% ↑
USD 5,792/MT

WMP
1.0% ↑
USD 3,311/MT

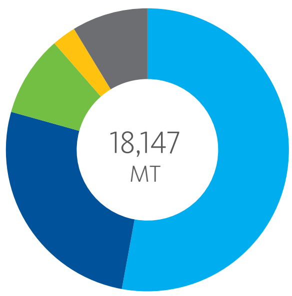
Fonterra GDT sales **by destination**:

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

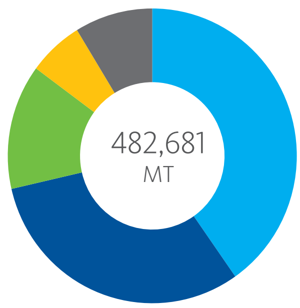
CLICK HERE ▶

NORTH ASIA (INCLUDING CHINA)
SOUTH EAST ASIA
MIDDLE EAST AND AFRICA
LATIN AMERICA
OTHER

LATEST AUCTION



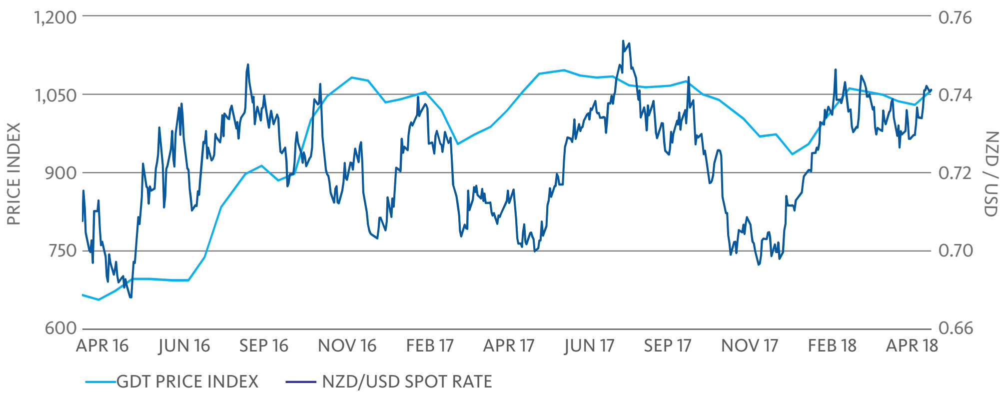
FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 1 May 2018. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The New Zealand dollar tracked sideways against the US dollar through March, despite renewed volatility in the wider financial market.



OUR **PERFORMANCE**

Anchor brand grows bigger with launch of Anchor cheese

Fonterra's iconic Anchor™ brand is about to get bigger with the return of Anchor™ cheese – and this time there's a guaranteed lactose free option.

For years milk, butter and yoghurt have all been part of the Anchor™ range and Fonterra Brands New Zealand Director of Marketing, Clare Morgan, says the addition of cheese continues Anchor's tradition of a love of dairy and innovation.

"When pioneer Henry Reynolds launched Anchor™ in 1886 he would have never imagined that over a century later more than 150 Anchor™ products would be sold every minute."

As well as the traditional Tasty, Colby and Edam, there are two new additions – Protein+ and Zero Lacto.

"We're excited to see our Anchor™ cheese in the fridges. It's giving Kiwis back one of the most trusted and liked cheese brands in the country.

"While most hard cheese is naturally low in lactose, Zero Lacto is the first lactose free cheese to be launched in New Zealand.

"It's been introduced as an additional option for Kiwis with lactose intolerance and is batch tested to ensure there is no lactose, providing a guaranteed lactose free cheese option."

Protein+ has 26% more protein than Anchor™ Tasty and is an easy way for Kiwis to increase protein in their diets.

These new cheeses join the list of more than 160 Anchor™ products that are today shared in more than 80 countries around the world, a demonstration of what pure New Zealand dairy coupled with enthusiasm and innovation can achieve.

Farmers see state of the art plant first hand

A group of our farmers have visited the new Apollo plant in Whakatu to see how Fonterra Brands New Zealand (FBNZ) has teamed up with the Hawke's Bay company to use state of the art technology to bring some of the best in fruit and dairy beverages to Kiwis.

FBNZ has teamed up with Apollo Foods to install innovative beverage filling technology, which allows a range of different containers to be produced on site and filled with a range of different products on one production line.

Managing Director of FBNZ Leon Clement said a global surge in demand for dairy and fruit beverages presents a fantastic opportunity to capitalise on the increasing popularity for lifestyle beverages.

The new plant allows FBNZ to extend the shelf life of products, including Mammoth flavoured milk, which was first off the line. Until now the milk has had a shelf life of 10 days, but now the UHT beverage has a life of up to six months.

This means stores in all parts of the country will have product on hand to keep the fridges stocked. The new formulation Mammoth also has 40% less sugar.

As well as Mammoth and Primo flavoured milk, new products will be launched later this year.

Co-op farmers dominate New Zealand Dairy Industry Awards

Co-op farmers have once again enjoyed great success in this year's New Zealand Dairy Industry Awards (NZDIAs) with Fonterra suppliers winning 29 of the 33 regional titles.

The winners of the three categories – Share Farmer of the Year, Dairy Manager of the Year and Dairy Trainee of the Year – across the 11 regions will now be assessed by a national judging panel and the national titles will be awarded at a black-tie dinner at Stadium Southland in Invercargill on May 12. Tickets to the dinner can be purchased online at www.dairyindustryawards.co.nz.

Fonterra farmers have won all three national titles for two consecutive years and are in with a great chance of a hat trick.

Nine regional Share Farmer winners are Co-op suppliers with nine Dairy Trainee of the Year winners and all 11 Dairy Manager of the Year finalists working on farms that supply milk to Fonterra.

A new award to recognise dairy farmers who demonstrate leadership in their approach to sustainable dairying will also be presented at the National Final awards dinner in May.

The Fonterra Farm Source Responsible Dairying Award will recognise those dairy farmers who are respected by their farming peers and their community for their attitude to and role in sustainable dairying. The farmer could come from any of New Zealand's milk suppliers to be eligible for the award. The inaugural winner will be selected by a panel of judges and announced at the National Final awards dinner.

Fonterra Farm Source is a major sponsor of the NZ Dairy Industry Awards, along with Westpac, DairyNZ, Delaval, Ecolab, Federated Farmers, Honda Motorcycles, LIC, Meridian Energy and Ravensdown along with industry partner Primary ITO.

THE FONTERRA FINALISTS ARE:

Share Farmer of the Year:

- Thomas & Jennifer Read (Hawke's Bay/Wairarapa)
- Owen Clegg & Hollie Wham (Taranaki)
- Dan & Gina Duncan (Northland)
- Chris & Sally Guy (Auckland/Hauraki)
- Steve Gillies & Amy Johnson (Waikato)
- Reece & Natasha Cox (Bay of Plenty)
- Tim & Melissa Parsons (Central Plateau)
- Simon & Hilary Vallely (Otago/Southland)
- Daniel & Paula McAtamney (Canterbury/North Otago)

Dairy Trainee of the Year:

- Brock Cumming (Hawke's Bay/Wairarapa)
- Samuel White (Manawatu)
- Andrew Trolove (Taranaki)
- Eden Ritchie (Northland)
- Quinn Youngman (Auckland/Hauraki)
- Zoe Gleeson (Bay of Plenty)
- Aaron Courage (Waikato)
- Salem Christian (Canterbury/North Otago)
- Sam Goffriller (West Coast/Top of the South)

Dairy Manager of the Year:

- Angela Strawbridge (Manawatu)
- Gerard Boerjan (Hawke's Bay/Wairarapa)
- James Holgate (Taranaki)
- Sam Moscrip (Northland)
- Terence Potter (Auckland/Hauraki)
- Chelsea Smith (Waikato)
- Bridie Virbickas (Bay of Plenty)
- Colin Tremain (Central Plateau)
- Jaime McCrostie (Otago/Southland)
- Will Green (Canterbury/North Otago)
- Anthony Lamborn (West Coast/Top of South)

HAWKE'S BAY WAIRARAPA WINNERS

SUPPLEMENTARY **INFORMATION**

Global Dairy Market

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

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

Averages are shown where data is complete for the regions presented.

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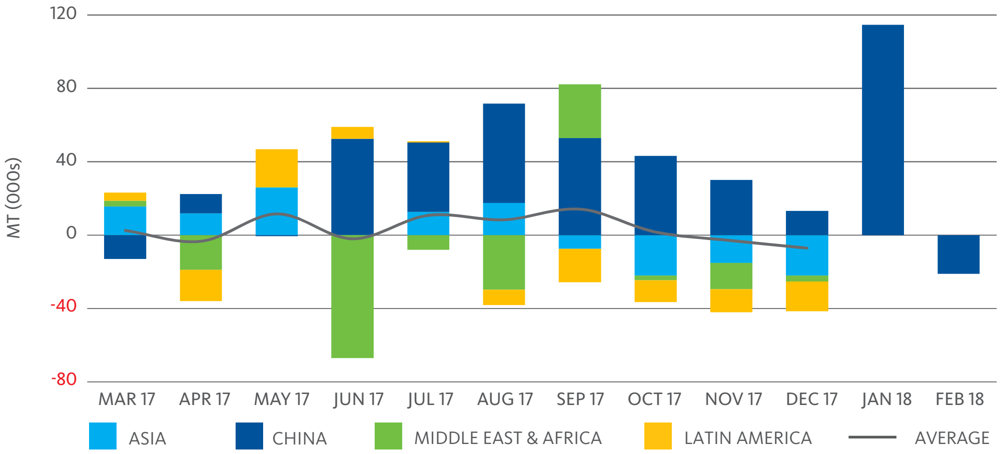
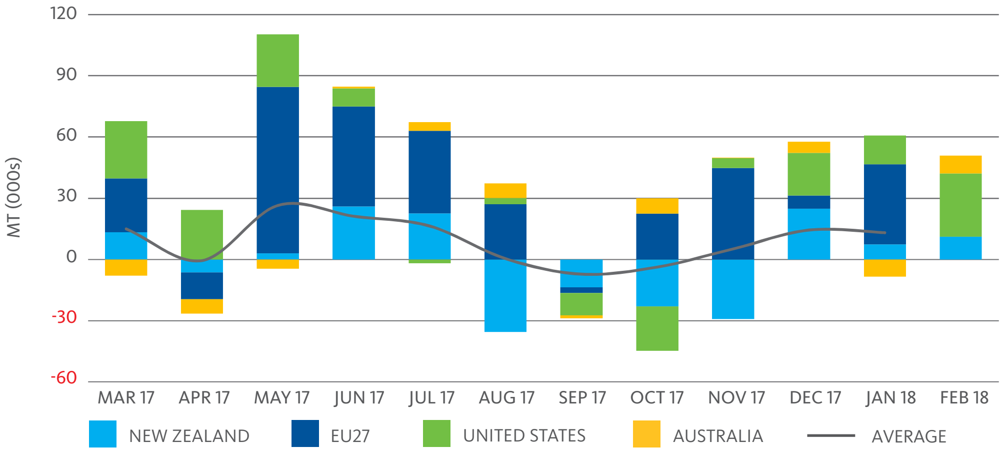
IMPORTS



NOTE: Data for Asia, Middle East and Africa and Latin America to December; China to February.

EXPORTS



NOTE: Data for EU to January; New Zealand, US and Australia to February.

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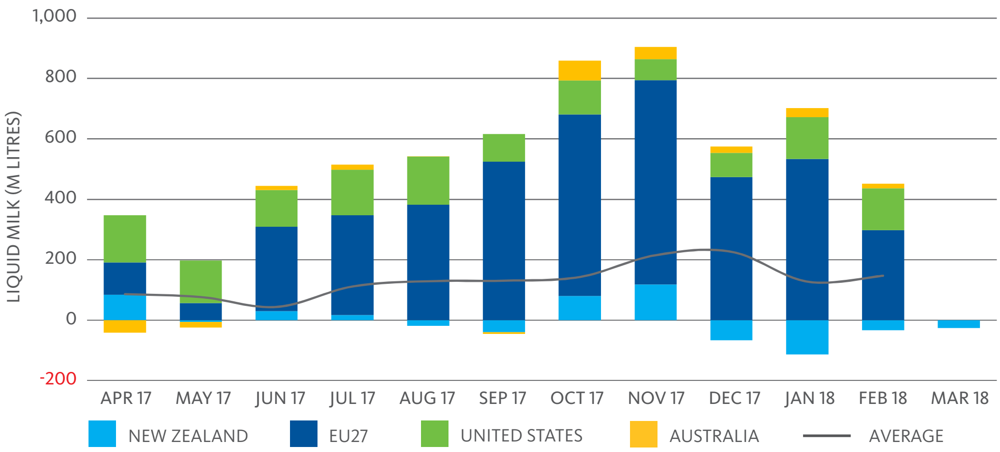
PRODUCTION



NOTE: Data for EU, US and Australia to February; New Zealand to March.

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

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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.

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MILK COLLECTION (MILLION KGMS)	MARCH 2018	MARCH 2017	MONTHLY CHANGE	SEASON-TO-DATE 2017/18	SEASON-TO-DATE 2016/17	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	142.6	147.0	(3.0%)	1,313.8	1,341.6	(2.1%)
North Island	79.1	84.0	(5.8%)	791.9	816.7	(3.0%)
South Island	63.5	63.0	0.8%	521.9	524.9	(0.6%)
Fonterra Australia	11.3	8.6	31.8%	120.5	95.6	26.0%

Fonterra GDT results

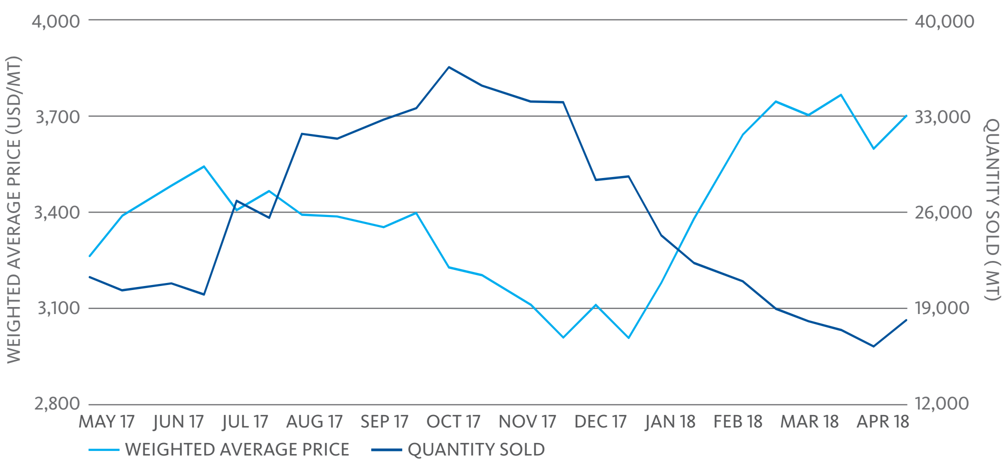
This table provides more information on the latest results, including a snapshot of the year-to-date results.

	LAST TRADING EVENT (17 APRIL 2018)	YEAR-TO-DATE (FROM 1 AUGUST 2017)
Quantity Sold on GDT (Winning MT)	18,147	482,681
Change in Quantity Sold on GDT over same period last year	(15.2%)	3.9%
Weighted Average Product Price (USD/MT)	3,701	3,335
Change in Weighted Average Product Price over same period last year	16.1%	4.9%
Change in Weighted Average Product Price from previous event	2.9%	–

Fonterra GDT Results

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

BACK TO SUMMARY ▶



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.

GDT

GlobalDairyTrade, the online provider of the twice monthly global auctions of dairy ingredients.

kgMS

Kilogram of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.

LME (Liquid Milk Equivalent)

A standard measure of the amount of milk (in litres) allocated to each product based on the amount of fat and protein ("milk solids") in the product relative to the amount of fat and protein in a standardised raw milk.

Non-Reference Products

All dairy products, except for Reference Products, produced by the NZ Ingredients business.

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.