

GLOBAL DAIRY UPDATE



Dairy for life



• Australia monthly production continues decline, growth softening in the EU and small decline in the US. New season starting in New Zealand.

• More farmers giving Fixed Milk Price a go.



• Exports from New Zealand, the EU and Australia continue to grow. Strong decline in monthly US exports.



• Monthly imports into Asia show strong growth. Latin America, China and Middle East & Africa down.

• Stepping up our efforts to help tackle waste.
• No new coal boilers for Fonterra.



• Fonterra's New Zealand milk collection for the first month of the 2019/20 season was 14.4 million kgMS, representing less than 1% of the full season forecast.

KEY DATES



September 2019
FY19 Annual Results
Announcement.

7 November 2019
Fonterra Annual Meeting

11 November 2019
Fonterra Shareholders' Fund
Annual Meeting

20 April 2020
Share Standard Compliance
2019/20 Season

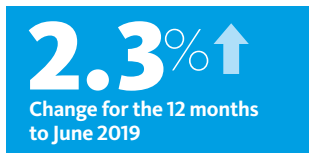
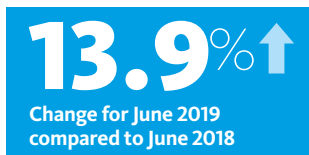


To view a chart that illustrates year-on-year changes in production –

AUSTRALIA MONTHLY PRODUCTION CONTINUES DECLINE, GROWTH SOFTENING IN THE EU AND SMALL DECLINE IN THE US.

NEW SEASON STARTING IN NEW ZEALAND

NEW ZEALAND

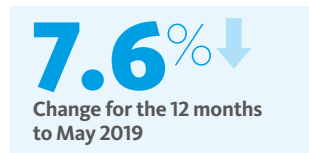
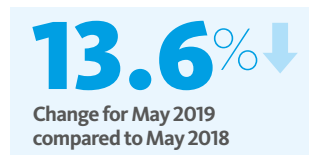


New Zealand milk production was up 13.9% in June compared to the same period last year, on relatively small winter volumes and as a result of better weather conditions this season than last season.

New Zealand milk production for the 12 months to June was 2.3% higher than last year.

Fonterra collections are reported for June, see page 5 for details.

AUSTRALIA



Australia milk production decreased 13.6% in May compared to the same period last year.

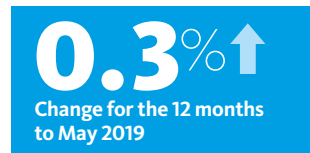
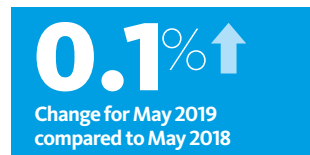
Production for the 12 months to May was down 7.6% on the previous 12 months.

Dairy Australia forecasts annual milk production to decline by 7% to 9% for the 2018/19 season.

Dairy Australia are forecasting a further decline in the 2019/20 season of 3% to 5% in total milk production on the back of reduced herd sizes and strained farmer finances.

Fonterra collections in Australia are reported for June, see page 5 for details.

EUROPEAN UNION



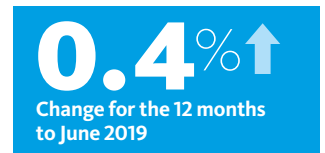
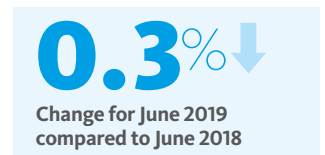
EU milk production increased 0.1% in May compared to the same period last year.

Growth continues in Ireland, though at a slightly slower pace, up 10.8% in May.

The recent heatwave has slowed down production in Germany (1.5%), France (1.6%) and The Netherlands (2.5%) and led to abnormally dry conditions that could have a lasting effect on milk production for the quarter.

EU milk production for the 12 months to May was up 0.3% compared to the same period last year.

USA



US milk production decreased 0.3% in June, compared to the same period last year.

Poor on-farm profitability is leading to an increase in culling which is likely to continue to impact growth over the next few months.

Milk production for the 12 months to June was 0.4% higher compared to the same period last year.



EXPORTS FROM NEW ZEALAND, THE EU AND AUSTRALIA CONTINUE TO GROW. LARGE DECLINE IN MONTHLY US EXPORTS

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

NEW ZEALAND

17.1%↑

Change for May 2019 compared to May 2018

7.0%↑

Change for the 12 months to May 2019

Total New Zealand dairy exports increased by 17.1%, or 42,203 MT, in May compared to the same period last year. This was primarily driven by WMP and fluid milk products, up 34,200 MT. Butter had the largest decline in volume, down 3,400 MT for the month.

Exports for the 12 months to May were up 7.0%, or 229,800 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products, AMF, and infant formula, up a combined 270,500 MT. SMP was down 36,000 MT.

AUSTRALIA

1.7%↑

Change for May 2019 compared to May 2018

3.8%↑

Change for the 12 months to May 2019

Australia dairy exports increased by 1.7%, or 1,150 MT, in May compared to the same period last year. This was primarily driven by fluid milk products and infant formula, up 7,400 MT. This was offset by declines in SMP, whey and cheese, down a combined 6,800 MT.

Exports for the 12 months to May were up 3.8%, or 29,000 MT, on the previous comparable period.

Infant formula, fluid milk products, and whey powder made up most of the growth in Australian exports, up a combined 50,500 MT but partly offset by a decline in WMP and SMP, down 14,500 MT and 8,900 MT respectively.

EUROPEAN UNION

11.5%↑

Change for April 2019 compared to April 2018

2.7%↑

Change for the 12 months to April 2019

EU dairy exports increased by 11.5%, or 52,200 MT, in April compared to the same period last year. This was primarily driven by fluid milk products, SMP, butter, cheese and lactose, up a combined 57,300 MT. This was partially offset by declines in WMP and whey powder, of a combined 8,900 MT.

Exports for the 12 months to April were up 2.7%, or 144,200 MT, on the previous comparable period. SMP, lactose, WPC, fluid milk products, MPC and cheese were up a combined 240,100 MT. This was offset by a 100,000 MT decline in WMP, butter, AMF, and cultured products.

USA

10.3%↓

Change for May 2019 compared to May 2018

4.1%↓

Change for the 12 months to May 2019

US dairy exports declined 10.3%, or 23,300 MT, in May compared to the same period last year, driven by declining imports of whey powder by China due to African Swine Fever, and by declines in SMP, lactose, WPC, butter and WMP, down a combined 29,800 MT. This was slightly offset by an increase in cheese and fluid milk products of 6,300 MT.

Exports for the 12 months to May 2019 were down 4.1%, or 98,000 MT, on the previous comparable period.

This was primarily driven by a decline in whey, WPC and lactose, down more than 137,000 MT. This was partially offset by increases in fluid milk products and cheese.



MONTHLY IMPORTS INTO ASIA SHOW STRONG GROWTH. LATIN AMERICA, CHINA AND MIDDLE EAST & AFRICA DOWN

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

LATIN AMERICA

13.6% ↓

Change for April 2019 compared to April 2018

2.5% ↑

Change for the 12 months to April 2019

Latin America dairy import volumes¹ decreased 13.6%, or 23,700 MT, in April compared to the same period last year. This was driven by declines in SMP, WMP, fluid milk products, infant formula and whey powder, down a combined 21,300 MT.

Imports for the 12 months to April 2019 were up 2.5%, or 48,300 MT, compared to the same period the previous year. Increases were recorded across a broad range of products with fluid milk products, SMP, WMP and MPC up a combined 60,600 MT. This was partially offset by whey powder, down by 12,200 MT.

ASIA

11.2% ↑

Change for April 2019 compared to April 2018

6.7% ↑

Change for the 12 months to April 2019

Asia (excluding China) dairy import volumes¹ increased 11.2% or 44,700 MT, in April compared to the same period last year. Increases were recorded across a broad range of products with cheese, WMP, SMP and fluid milk products making up the bulk of the increase, up 41,800 MT.

Imports for the 12 months to April were up 6.7%, or 309,000 MT, compared to the same period the previous year. Growth continues across a broad range of products, with fluid milk products, SMP, WMP and lactose up a combined 254,900 MT.

MIDDLE EAST & AFRICA

4.8% ↓

Change for April 2019 compared to April 2018

8.9% ↓

Change for the 12 months to April 2019

Middle East and Africa dairy import volumes¹ decreased 4.8%, or 17,900 MT, in April 2019 compared to the same period last year. Declines were recorded principally in WMP, cheese, other powders, AMF and ice cream down a combined 35,200 MT.

Imports for the 12 months to April 2019 were down 8.9%, or 373,200 MT, compared to the same period the previous year. The reduction has been driven by cheese, fluid milk products, WMP, SMP, butter and other powders, down a combined 362,200 MT.

CHINA

4.5% ↓

Change for May 2019 compared to May 2018

7.2% ↑

Change for the 12 months to May 2019

China dairy import volumes¹ decreased 4.5%, or 11,400 MT, in May compared to the same period last year driven by decreases in whey powder, down 27,900 MT. African Swine Fever has impacted hog numbers in China reducing demand for whey as a feed. Lactose, butter and infant formula also contributed to the decline by 13,800 MT. This was partly offset by fluid milk products, up 28,900 MT. Imports for the 12 months to May were up 7.2%, or 202,500 MT, compared to the same period last year. Strong demand continued across WMP, fluid products SMP, infant formula, and lactose, up a combined 270,100 MT.

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

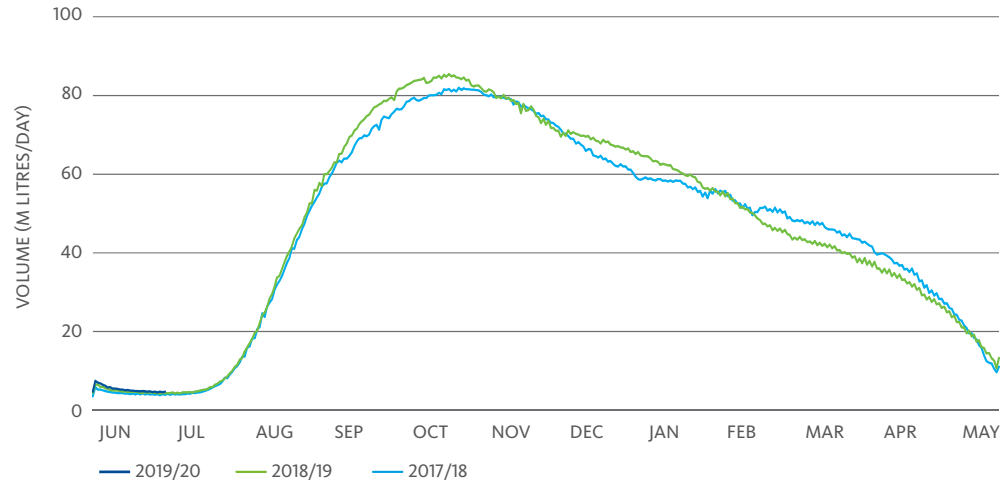
OUR MARKETS

FONTERRA MILK COLLECTION



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

8.0%↑

Change for June 2019 compared to June 2018

8.0%↑

Season to date 1 June to 30 June

Fonterra's collection for the first month of the 2019/20 season, was 14.4 million kgMS, up 8% on the same month last season. These volumes represent less than 1% of the full season forecast.

The start to the season across both islands has been led by a relatively mild winter so far and good pasture cover for this time of year. Cow condition is also good across the country.

NORTH ISLAND

6.7%↑

Change for June 2019 compared to June 2018

6.7%↑

Season to date 1 June to 30 June

North Island milk collection in June was 11.1 million kgMS, up 6.7% on June last season.

The increase was primarily driven by favourable conditions across most North Island regions.

SOUTH ISLAND

12.5%↑

Change for June 2019 compared to June 2018

12.5%↑

Season to date 1 June to 30 June

South Island milk collection in June was 3.2 million kgMS, up 12.5% on June last season.

Southland and Otago saw increased volumes in June relative to last season, from slightly better pasture conditions.

AUSTRALIA

30.0%↓

Change for June 2019 compared to June 2018

20.3%↓

For the 2018/19 Season compared to Previous Season

Fonterra's milk collection across Australia for the 2018/19 season was 122 million kgMS, down 20% on last season. Fonterra collections in June were 7 million kgMS, down 30% on June last season.

Fonterra's milk collection has reduced due to poor seasonal conditions, high input costs, increased cow cull rates, farm retirements and milk collection movement in a highly competitive market.

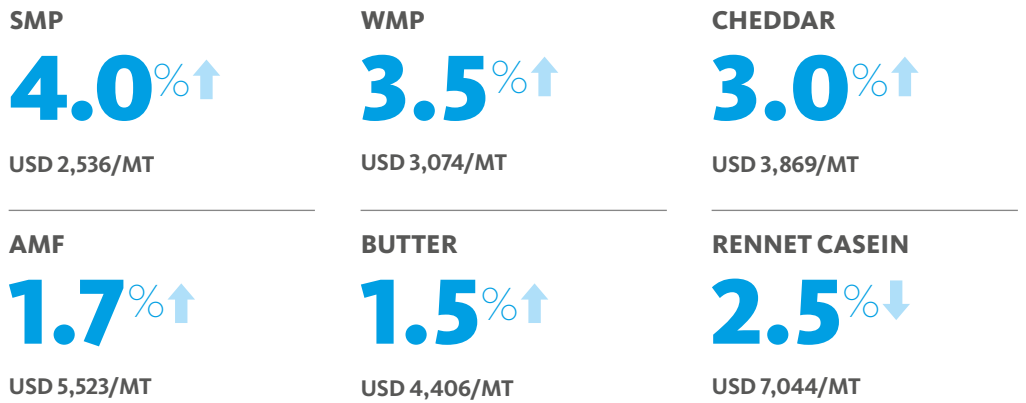
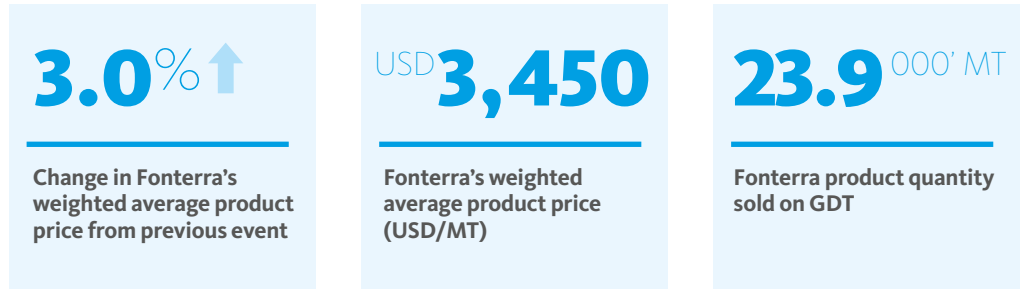
Dairy Australia forecasts annual milk production to decline by 7% to 9% for the 2018/19 season, with production for the 12 months to May down 7.7% on the previous 12 months.

OUR MARKETS

FONTERRA GLOBAL DAIRY TRADE RESULTS

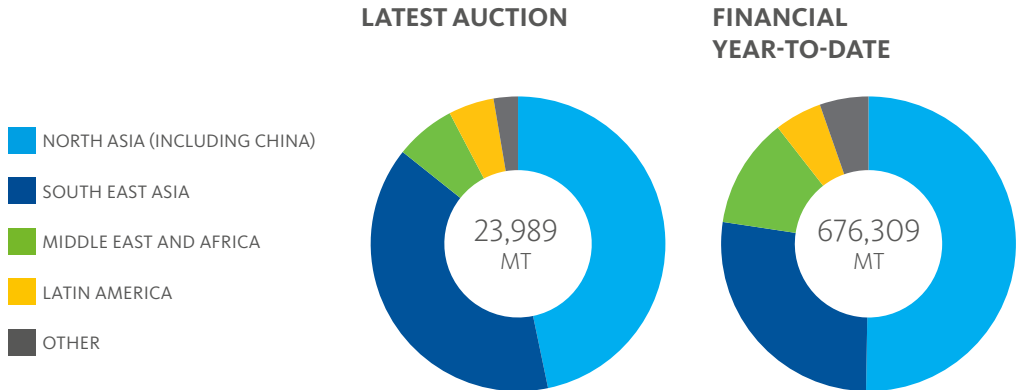


Fonterra GDT results at last trading event
16 July 2019:



Fonterra GDT sales by destination:

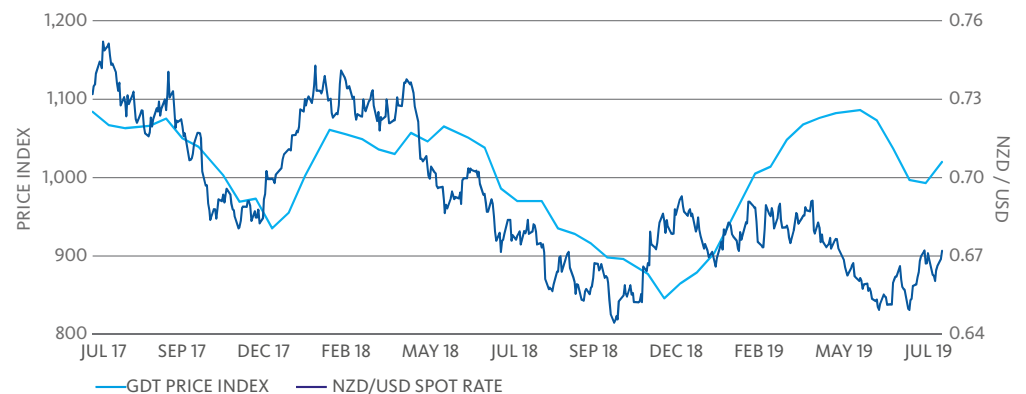
To view more information, including a snapshot of the rolling year-to-date results –



▶ The next trading event will be held on 6 August 2019. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The New Zealand dollar strengthened in June driven by general US dollar weakness – a result of increasing expectations that US interest rates will be lowered.





MORE FARMERS GIVING FIXED MILK PRICE A GO

More farmers are giving Fonterra's Fixed Milk Price option a go with more than 70% of applicants in the second application window held this month trying it for the first time. Nearly 30% were applying for the second time.

The applications from over 290 farms saw a participation increase of 35 per cent on the June event. Farms applied for more than 1 million kgMS at a fixed price of \$6.81 (less the service fee of 10c).

15 million kgMS were made available in July, meaning that all farmers received the volume they requested.

Richard Allen, Group Director Farm Source said that the increase in interest in the Fixed Milk Price tool was great to see.

"We added this tool to the financial toolbox to help give farmers more certainty over volatile milk prices, so to see an increase in new farms giving the Fixed Milk Price a go is great.

"It's also good to see that farmers are fixing in small increments - reducing their risk further by spreading their participation out across several application opportunities," said Richard.

Larry Whetting, who farms in Galatea applied for his first Fixed Milk Price allocation after being told about it by a friend.

"To be honest, it wasn't on my radar. But after hearing about it, I spoke to my local bank advisor who pointed out the benefits. The amount we applied for covers our fixed costs," Larry said.

For farmers who are thinking about using the Fixed Milk Price tool in the future, Larry encourages them to get in touch with their bank and talk through their options.

In July, most farms applied for less than 30 per cent of their estimated production, suggesting that farmers are using the tool to fix small portions of their milk supply monthly, rather than fixing 50 per cent all at once.

The next application period is 12-13 August.



Stepping up our efforts to help tackle waste

Across New Zealand and the world, households and businesses are grappling with the challenge of how to deal with waste.

At Fonterra, we've been taking a hard look at our own waste and how we can reduce our impact. Last year, we sent over 5,600 tonnes of waste to landfill, and that's still too much. So, we've announced a target to send zero solid waste to landfill by 2025.

To achieve zero waste globally, we will need to address our packaging, product waste and construction waste across our manufacturing sites.

That's why we've also announced a new target of 100% recyclable, reusable or compostable packaging by 2025.

Carolyn Mortland, Director of Sustainability, says around 90% of Fonterra's products sold in New Zealand are already recyclable, which is great progress. "This new target stretches across our global footprint, which means we will need to take a good look and have a hard think about some of the solutions to recycling."

"These new targets are ambitious, and will require innovative thinking and collaboration to meet them. That means building on the work we're already doing with Future Posts to recycle Anchor milk bottles into fence posts, and SKYCITY to turn bottles into bathroom amenities."

"We're not the first to come up with these kinds of targets, but we believe that we have an

important role to play in doing our bit, and perhaps inspiring other brands and companies to take their own impact on board."

"It's part of our wider efforts to improve and reduce our environmental footprint across all aspects of our business. We believe in putting sustainability at the heart of everything we do. We care about New Zealand's natural environment and are committed to protecting and regenerating it for generations to come."

"Tackling the packaging problem won't be easy. But we can get there with a collective effort by everyone – from government, local and regional councils, businesses, scientists, community groups and consumers."

No new coal boilers for Fonterra

Fonterra is shaving eleven years off its coal target, as it announces a new commitment to reduce its reliance on coal.

This commitment is the latest in a series of targets the Co-operative has set as it looks to embed sustainability at the heart of everything it does.

These targets include:

- Reducing emissions by 30% across all its manufacturing operations by 2030 and achieving net zero by 2050;
- Reducing water use by 20% across manufacturing sites by 2020;
- A tailored Farm Environment Plan for every Fonterra farmer by 2025;
- 100% recyclable, reusable and compostable packaging by 2025;
- Powering its Stirling site in Otago with electricity rather than coal.

Robert Spurway, Chief Operating Officer for Global Operations, says Fonterra has put a stop to installing any new coal boilers or increasing

capacity to burn coal.

"One of the emerging themes in our strategy review is that sustainability will be at the heart of everything we do. As part of this, we want to step up our efforts to help New Zealand transition to a zero-carbon economy," says Mr Spurway.

"Our farmer owners are already some of the most efficient producers of milk in the world. We need to match them in making sure our manufacturing operations and wider supply chain are as efficient as possible."

Mr Spurway says getting out of coal is not as easy as flicking a switch.

"Transitioning Fonterra's sites away from coal requires a staged approach. We're determined to go as fast as we can but there are a number of practical challenges we have to overcome.

"For example, right now New Zealand's energy infrastructure in some parts of the country simply isn't set up to handle our requirements.

Either there aren't alternatives to coal available or, if there are, they are not at the scale needed.

"There are also cost challenges. Transitioning to cleaner fuels will require additional investment and we need to balance this with remaining competitive. It's right to take a staged approach.

"We know we can't do it alone," says Mr Spurway. "More can be achieved through partnerships and business working together, like the Climate Leaders Coalition and Sustainable Business Council, to find ways to achieve a zero-carbon economy."

Fonterra's manufacturing operations are on track to meet its targets to reduce emissions by 30% across all its operations by 2030 and achieve net zero by 2050.

Fonterra has 32 manufacturing sites across the country, of which about 40% of its current processing energy is from coal. The rest is from natural gas, electricity and wood.

SUPPLEMENTARY INFORMATION

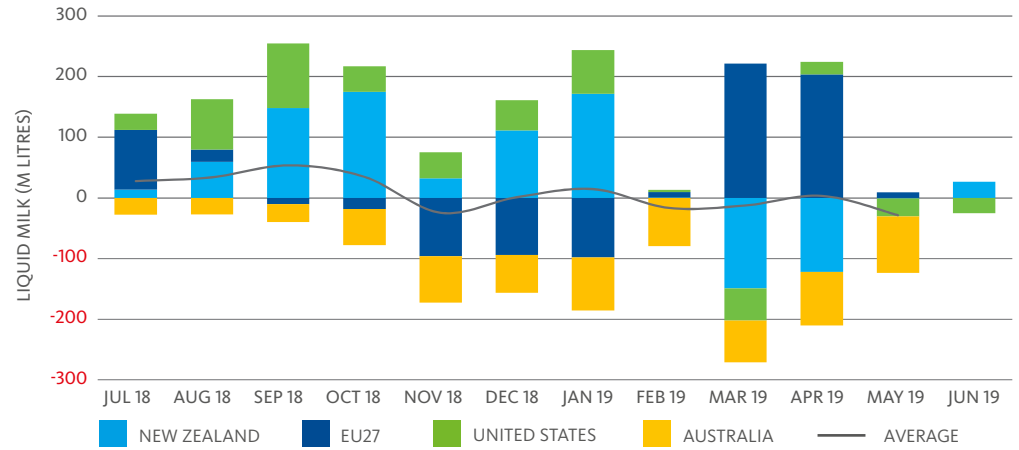
Global Dairy Market

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.

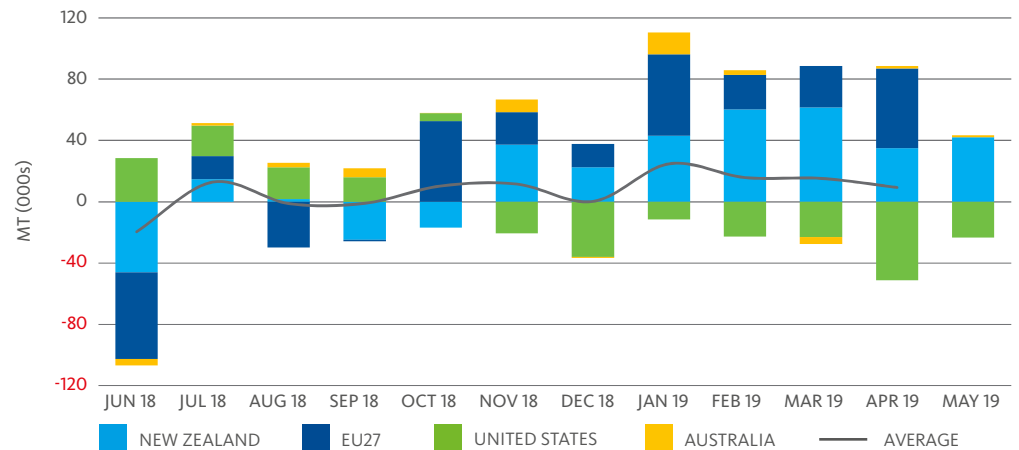
Averages are shown where data is complete for the regions presented.

PRODUCTION



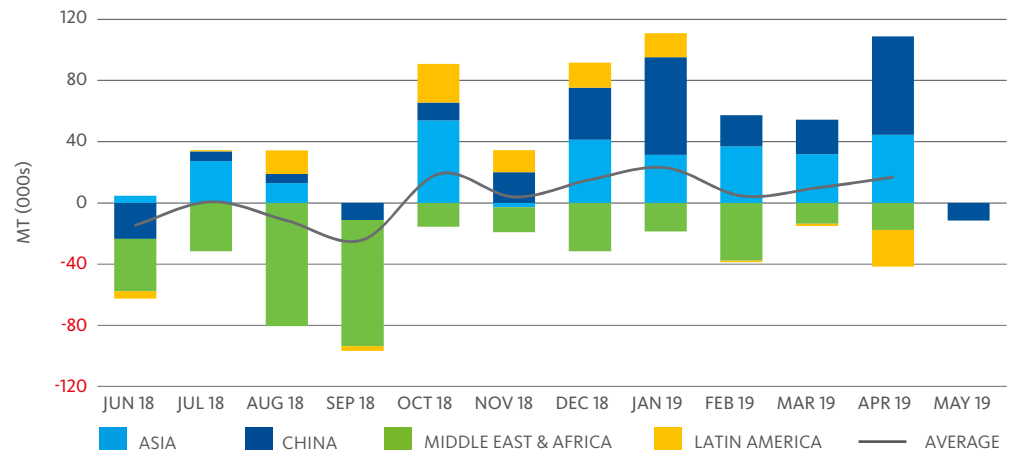
NOTE: Data for EU and Australia to May; New Zealand and US to June.

EXPORTS



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

IMPORTS



NOTE: Data for Latin America, Asia, Middle East & Africa to April; 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 2019	JUNE 2018	MONTHLY CHANGE	SEASON-TO-DATE 2019/20	SEASON-TO-DATE 2018/19	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	14.4	13.3	8.0%	14.4	13.3	8.0%
North Island	11.1	10.4	6.7%	11.1	10.4	6.7%
South Island	3.3	2.9	12.5%	3.3	2.9	12.5%

MILK COLLECTION (MILLION KGMS)	JUNE 2019	JUNE 2018	MONTHLY CHANGE	SEASON-TO-DATE 2018/19	SEASON-TO-DATE 2017/18	SEASON-TO-DATE CHANGE
Fonterra Australia	7.0	10.0	(30.0%)	122.0	153.0	(20.3%)

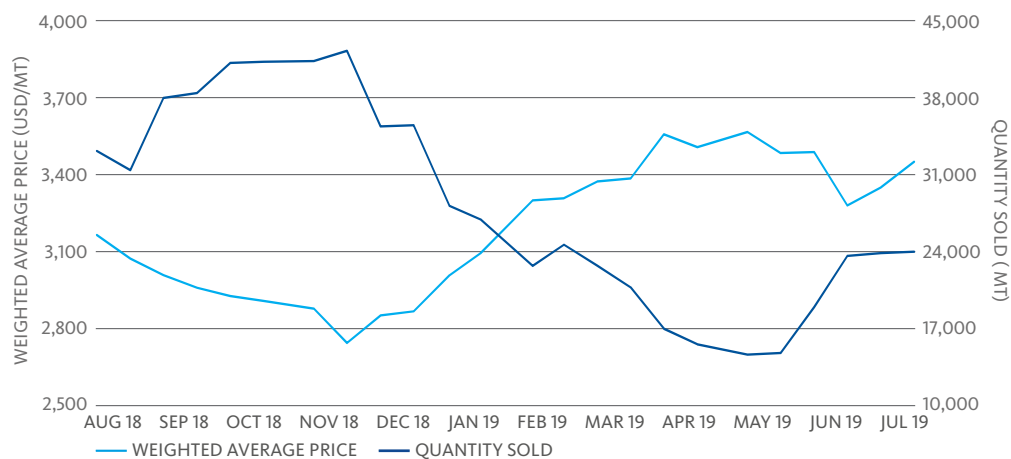
Fonterra GDT results

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

	LAST TRADING EVENT (16 JULY 2019)	YEAR-TO-DATE (FROM 1 AUGUST 2018)
Quantity Sold on GDT (Winning MT)	23,989	676,309
Change in Quantity Sold on GDT over same period last year	(2.9%)	10.8%
Weighted Average Product Price (USD/MT)	3,450	3,111
Change in Weighted Average Product Price over same period last year	6.0%	(7.5%)
Change in Weighted Average Product Price from previous event	3.0%	-

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 Products

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

Global Dairy Trade, 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.

MPC

Milk Protein Concentrate.

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.

WPC

Whey Protein Concentrate