



Market Announcement

22 OCTOBER 2019

FONTERRA INCREASES 2019/2020 FORECAST FARMGATE MILK PRICE

Fonterra Co-operative Group Limited today increased its 2019/2020 forecast Farmgate Milk Price range from \$6.25 - \$7.25 per kgMS to \$6.55 - \$7.55 per kgMS.

The Advance Rate Fonterra pays its farmer owners will be set off the mid-point, \$7.05 per kgMS, of the revised range.

Fonterra Chairman John Monaghan says the Co-op had been achieving good prices for its milk so far this season.

“Demand for whole milk powder (WMP) has been firm, and for the full season we’re expecting it to be above last year. Global WMP production is down year to date and expected to continue to decrease for the remainder of 2019.

“We are also continuing to sell our skim milk powder at higher prices than EU and US dairy companies in Global Dairy Trade (GDT) Events.”

Fonterra CEO Miles Hurrell says there are positive signals for milk price.

“It is still very early in the season and a lot can change. There are a number of factors we are keeping a close eye on, which is why we’ve retained a wide forecast milk price range.

“These factors include global trade tensions and political instability in some of our key sales regions. And, as is always the case, we cannot predict the weather and clearly weather conditions play a big role in global supply.”

Mr Hurrell says the strong demand for the Co-op’s milk and the prices that are being achieved, relative to other milk producing regions, demonstrated the rationale of Fonterra’s new strategy to prioritise New Zealand milk.

“One of our four priorities is to support regional New Zealand. If you take the \$7.05 mid-point of today’s revision to our forecast Farmgate Milk Price, it’s another \$450 million into regional New Zealand.”

“Our earnings outlook for FY20 is based on a forecast Farmgate Milk Price, which still falls within our new forecast range of \$6.55 - \$7.55 per kgMS. The mid-point of the revised range does mean our teams will need to continue to push hard to achieve our margins, but so far we’re comfortable with how this season is shaping up in terms of underlying business performance.”

-ENDS-

For further information contact:

Fonterra Communications
24-hour media line
Phone: +64 21 507 072
