



JULY 2020

Global Dairy UPDATE



- Beginning of 2020/21 season in New Zealand. Australia nears end of season on improved monthly production. EU monthly production slows, US improves.

- The Co-operative Difference payment.



- New Zealand and Australia monthly exports decline and monthly increase from US and EU.



- Latin America, Asia and Middle East and Africa imports show strong decline. China monthly imports improve.

- Doing our bit to support New Zealand's small and medium-sized businesses.



- Fonterra's New Zealand milk collection for the first month of the 2020/21 season was 14.7 million kgMS, less than 1% of the full season forecast.
- Fonterra's Australia milk collection reached 107.8 million kgMS for the full 2019/20 season to 30 June 2020.

Key Dates



31 July 2020
End of Financial Year 2020

21 September 2020
FY20 Annual Results
Announcement

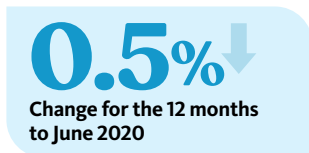
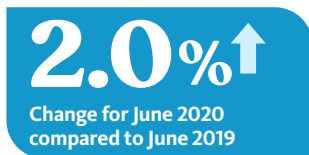
20 April 2021
Compliance Date for
2020/21 Season



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

Beginning of 2020/21 season in New Zealand. Australia nears end of season on improved monthly production. EU monthly production slows, US improves

NEW ZEALAND



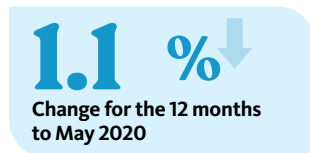
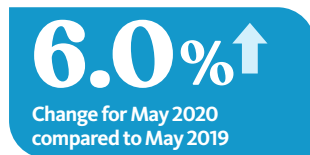
New Zealand milk production¹ increased 2.0% on a litres basis in June compared to June last year. June typically represents around 1% of the season's production.

A warm start to winter and significant rainfall for many parts of the country have seen favourable conditions for the start of the new season.

New Zealand milk production for the 12 months to June was 0.5% lower than last year.

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

AUSTRALIA



Australia milk production increased 6.0% in May compared to May last year.

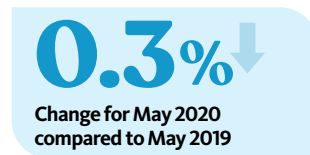
Improving seasonal conditions stabilised production in the second half of the 2019/20 season and improved the outlook for the 2020/21 season.

Production for the 12 months to May was down 1.1% on the previous 12 months.

Dairy Australia has moderated its milk production outlook for 2019/20 upwards to a drop of just 1-3% on last year.

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

EUROPEAN UNION/UK



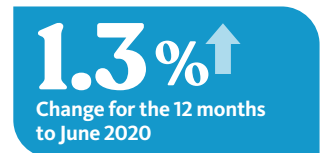
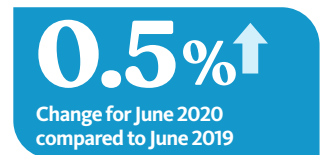
EU (including UK) milk production decreased by 0.3% in May compared to the same period last year.

The main regions showing a decline in production were Italy (down 7.5%), France (2.0%) and the UK (1.0%). Partially offsetting this decline were increased volumes in Ireland (up 3.5%) and Poland (1.8%).

The decline is likely related to the slow-down in foodservice and tourism-related consumption.

EU milk production for the 12 months to May was up by 0.9% compared to the same period last year.

USA



US milk production increased by 0.5% in June, compared to the same period last year.

US milk production improved year-on-year in June following May's slow-down due to production restriction programmes put in place.

Milk production for the 12 months to June was 1.3% higher compared to the same period last year.

¹ New Zealand production is measured in litres.

Note: 2020 production numbers include one extra day of production in February as 2020 is a leap year.



New Zealand and Australia monthly exports decline and monthly increase from US and EU

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

NEW ZEALAND

7.6% ↓

Change for May 2020 compared to May 2019

2.7% ↓

Change for the 12 months to May 2020

Total New Zealand dairy exports decreased by 7.6%, or 21,733 MT, in May compared to the same period last year.

This was primarily driven by lower volumes of WMP to China and Bangladesh, down 6,944 MT, butter to China, down 6,293 MT, MPC to the US, down 3,600 MT, but partially offset by an increase in SMP, up 6,279 MT.

Exports for the 12 months to May were down by 2.7%, or 34,427 MT, on the previous comparable period. This was primarily driven by butter, WMP and AMF.

AUSTRALIA

18.4% ↓

Change for May 2020 compared to May 2019

8.9% ↓

Change for the 12 months to May 2020

Australia dairy exports decreased by 18.4%, or 12,455 MT, in May compared to the same period last year. This was primarily driven by fluid milk products, infant formula and WMP, down a combined 10,792 MT.

Exports for the 12 months to May were down 8.9%, or 70,244 MT, on the previous comparable period.

Declines were recorded across a broad range of products with SMP, infant formula, whey, cheese, butter and WMP down 82,244 MT and partially offset by fluid milk products, up 17,868 MT.

EUROPEAN UNION/UK

7.0% ↑

Change for April 2020 compared to April 2019

5.4% ↑

Change for the 12 months to April 2020

EU (including UK) dairy exports increased by 7.0%, or 35,526 MT, in April compared to the same period last year.

This was mainly driven by increases in whey to China and SE Asia, butter to US and MENA, lactose to China and WMP to Oman, up a combined 33,835 MT. SMP and fluid milk products partially offset this increase, down 9,963 MT.

Exports for the 12 months to April were up 5.4%, or 301,234 MT, on the previous comparable period. Butter, cheese and fluid milk products were the main drivers of this growth, up a combined 223,238 MT.

USA

14.7% ↑

Change for May 2020 compared to May 2019

4.4% ↑

Change for the 12 months to May 2020

US dairy exports increased 14.7%, or 29,809 MT, in May compared to the same period last year.

May export volumes were driven by record volumes of SMP to SE Asia, MENA and China (up 15,596 MT), higher exports of lactose to SE Asia and China (up 5,682 MT) and higher volume of whey to China (up 4,815 MT).

Exports for the 12 months to May 2020 were up 4.4%, or 100,698 MT on the previous comparable period, driven by SMP and WPC and lactose, up a combined 131,966 MT, and partially offset by decreases in whey, down 23,078 MT.



Latin America, Asia and Middle East and Africa imports show strong decline. China monthly imports improve

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

LATIN AMERICA

12.0%↓

Change for April 2020 compared to April 2019

2.7%↓

Change for the 12 months to April 2020

Latin America dairy import volumes¹ decreased 12.0%, or 18,444MT, in April compared to the same period last year. This was driven by continued lower volumes of SMP and cheese to Mexico, and butter to Chile, down a combined 18,583 MT.

Imports for the 12 months to April 2020 were down 2.7%, or 52,602 MT, compared to the same period the previous year.

Decreases were driven primarily by infant formula, WMP, SMP and whey, down a combined 74,096 MT but largely offset by increases in WPC, up 18,916 MT.

ASIA

14.7%↓

Change for April 2020 compared to April 2019

5.0%↓

Change for the 12 months to April 2020

Asia (excluding China) dairy import volumes¹ decreased 14.7%, or 65,235 MT, in April compared to the same period last year. Decreases were recorded primarily in WMP to SE Asia, SMP and fluid milk products to the Philippines, and cheese to Japan, down a combined 57,385 MT.

Imports for the 12 months to April were down 5.0%, or 247,484 MT, compared to the same period the previous year.

Decreases were recorded across SMP, WMP, fluid products, and infant formula, down a combined 249,582 MT.

MIDDLE EAST & AFRICA

7.1%↓

Change for April 2020 compared to April 2019

4.3%↓

Change for the 12 months to April 2020

Middle East and Africa dairy import volumes¹ decreased 7.1%, or 28,223 MT, in April 2020 compared to the same period last year. Decreases were recorded principally in butter to Iran and Turkey and fluid milk product to Libya, down a combined 42,881 MT, and partially offset by increased volumes of SMP of 19,064 MT.

Imports for the 12 months to April 2020 were down 4.3%, or 177,507 MT, compared to the same period last year. This was driven by large decreases in fluid milk products, cheese and butter, down a combined 186,532 MT.

CHINA

3.2%↑

Change for May 2020 compared to May 2019

6.2%↑

Change for the 12 months to May 2020

China dairy import volumes increased by 3.2%, or 7,818 MT, in May compared to the same period last year.

The increase was the result of higher volumes of whey, WMP, and lactose, up a combined 31,351 MT, and partially offset by a decrease in fluid milk products of 14,084 MT.

Imports for the 12 months to May were up 6.2%, driven by fluid milk products and WMP.

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

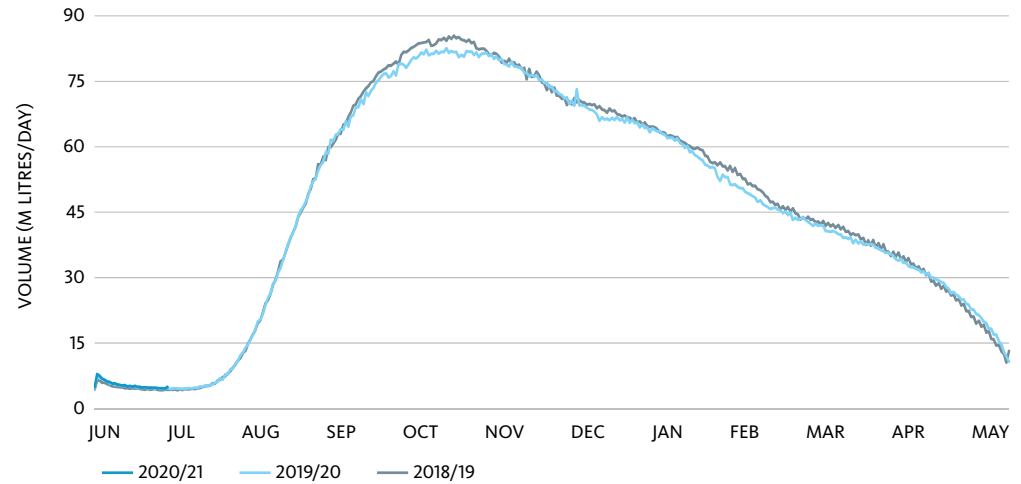
OUR MARKETS

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

2.7%↑

Change for June 2020 compared to June 2019

2.7%↑

Season to date 1 June to 30 June

Fonterra's New Zealand collection for the first month of the 2020/21 season was 14.7 million kgMS, ahead 2.7% on the same month last season. This represents less than 1% of the full season forecast.

A relatively mild June across much of the country allowed some pastures to partially recover.

NORTH ISLAND

1.2%↓

Change for June 2020 compared to June 2019

1.2%↓

Season to date 1 June to 30 June

North Island milk collection in June was 11 million kgMS, down 1.2% on June last season. Effects of the drought have begun to ease with some meaningful rainfall during May and June.

SOUTH ISLAND

16.0%↑

Change for June 2020 compared to June 2019

16.0%↑

Season to date 1 June to 30 June

South Island milk collection in June was 3.8 million kgMS, up 16.0% on June last season. The South Island saw a strong start to the season, with milk production well up on the same month last year, even allowing for the small volumes expected at this time of the season.

AUSTRALIA

2.0%↓

Change for June 2020 compared to June 2019

11.8%↓

For the 2019/20 season compared to the previous season

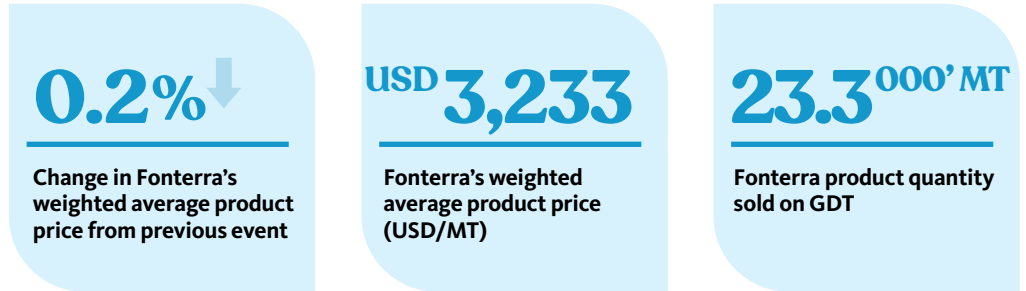
Fonterra's Australia collection in June was 6.8 million kgMS, a 2.0% decrease on June last year. Full season collections reached 107.8 million kgMS, down 11.8% on the same period last season. Volumes have been impacted by a combination of drought, high on-farm input costs in the first half and the highly competitive milk supply market, with losses primarily to milk brokers. Fonterra also made a conscious decision to purchase less third-party milk to focus on a value-add product mix. Good autumn conditions for much of Australia and across key dairy regions in Victoria and Tasmania have improved milk production for the 2019/20 season and the outlook for 2020/21.

OUR MARKETS

Fonterra Global Dairy Trade Results



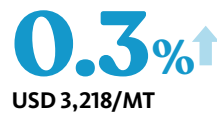
Fonterra GDT results at last trading event
21 July 2020:



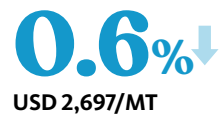
CHEDDAR



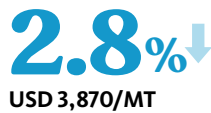
WMP



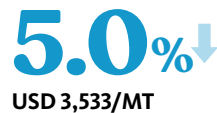
SMP



AMF



BUTTER

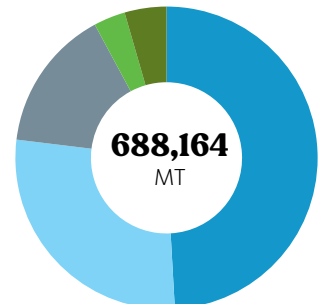
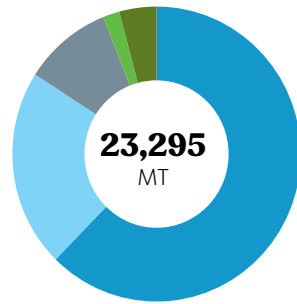
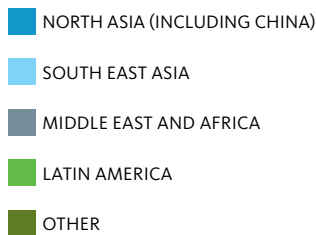


Fonterra GDT sales by destination:

LATEST AUCTION

FINANCIAL YEAR-TO-DATE

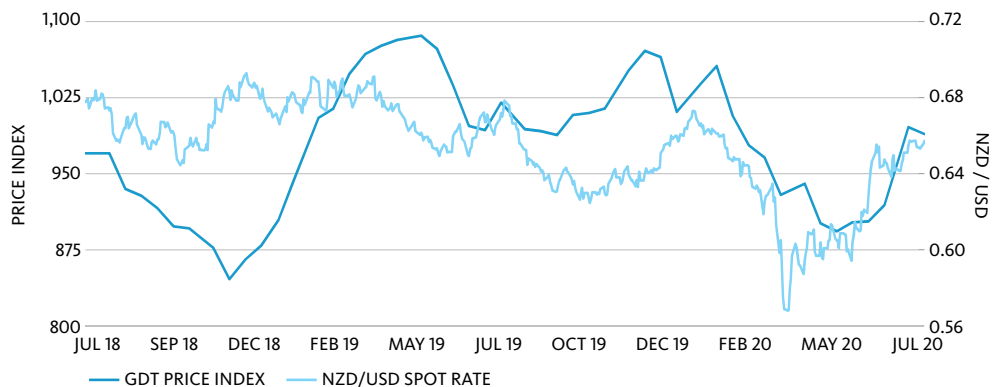
To view more information, including a snapshot of the rolling year-to-date results –



▶ The next trading event will be held on 4 August 2020. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Financial markets are steady as they weigh the dichotomy between improving economic performances post-lockdowns, and an increasingly worrying picture of global health outcomes as COVID-19 spreads further. The NZD continues to find relative stability around 66 US cents.





The Co-operative Difference Payment

Fonterra farmers producing sustainable, high quality milk will be eligible for a new payment, as Fonterra announces important changes to the way it pays farmers for their milk.

From 1 June 2021, Fonterra is introducing a Co-operative Difference payment of up to 10 cents per kilogram of milk solids (kgMS) if the farm meets the Co-op's on-farm sustainability and value targets. It's part of the Co-op's strategy to add value to New Zealand milk and responds to increasing demand from customers here and around the world for sustainably-produced dairy. The payment will be funded out of the Farmgate Milk Price.

"The total Farmgate Milk Price will remain the same across the Co-operative, but the amount that each individual farm is paid will vary depending on their contribution under The Co-operative Difference, in addition to the other variables, like fat and protein, which affect the amount

that's paid," says Fonterra CEO Miles Hurrell.

"We've always paid our farmers based on the value that milk provides to the Co-operative. The reality is that the drivers of value are changing, and we need to reflect that. Our customers want to know that the products they are buying are not only safe, but also produced sustainably.

"This payment helps us meet the changing needs of our customers, so they continue to choose our milk and enjoy dairy as a sustainable and nutritious choice.

"We want to deliver the innovation, sustainability and efficiency needed to make the most difference to our strategy and our bottom line. It makes sense to financially reward those farmers who go the extra mile to help our Co-op differentiate its milk."

Last year Fonterra launched The Co-operative Difference – a straight-forward framework to help farmers produce high-quality, sustainable milk and prepare

for any changes needed in the future.

The payment will replace the Farm Source Reward Dollars farmers currently earn through The Co-operative Difference and will work on a tiered system. The more a farmer achieves in The Co-operative Difference programme, the higher the payment will be. The precise payment structure will be confirmed over the next few months following discussions with farmers but will be no more than 10 cents per kgMS.

Nestlé's Robert Erhard says, "At Nestlé, how milk is produced matters. Now more than ever, people expect farmers to act as good stewards of the land – safeguarding the climate, enhancing animal welfare and carefully managing water and the health of soils."

"Farmers put in a lot of effort to produce the best quality milk possible. Over recent years, large numbers of farmers have spent a significant amount of time and money to improve

their local environment and waterways to make their farms sustainable for the future. It's great to see these farmers distinguished and rewarded for their efforts to produce and deliver a product that Fonterra can capture the highest value from. Through The Co-operative Difference, we can get better, together," says Northland dairy farmer Terence Brocx.

"We've created this with our Co-operative principles in mind. All farmers can participate in The Co-operative Difference and we'll keep supporting them through Farm Source," says Mr Hurrell.

"We want farmers looking to the future, and The Co-operative Difference encourages them to continue to focus on the things that will create the highest value milk. This helps us create higher value products that stand out in the global market for their New Zealand-ness and the sustainable way they're produced."



- Milk
- Co-op & Prosperity
- Animals
- Environment
- People & Community



Our strong foundation, supporting our farmers to deliver safe, sustainable milk today



Recognising our farmers who go above and beyond



Striving for best practice today while preparing for our future

Our Co-op



Doing our bit to support New Zealand's small and medium-sized businesses

As a Co-operative owned by 10,000 farming families, Fonterra recognises the enormous contribution small and medium-sized businesses make to New Zealand's economy and it's important the Co-op plays its part in supporting the country's economic recovery.

Since March, when New Zealand first started dealing with COVID-19, Fonterra has been looking at ways to support employees, farmers and communities through the pandemic and its after-effects.

One of the ways Fonterra could help was by paying its 3,000 small and medium-sized vendors more quickly and, as of 1 July 2020, the Co-op accelerated payments to eligible businesses so they're paid within 10 days from the receipt of invoice. Previously, small to medium-sized enterprises (SMEs) were paid on the 20th of the month following the invoice date.

Fonterra knows that getting paid quickly helps cashflow and keeps businesses running smoothly and this is a small but important way the Co-op can support the country's economic recovery. It also demonstrates Fonterra's commitment to supporting New Zealand's regional communities.



New Zealand vendors who Fonterra spends up to \$300,000 per annum with, and who have fewer than 50 employees, are eligible. That represents 86% of all the Co-op's New Zealand suppliers and the goal is to pay 95% of eligible SME invoices within ten days of receiving them.

Fonterra's able to do this because of a significant overhaul of its vendor payment system in the last few years, which has seen all vendors moved onto electronic invoicing and encouraging them to use a NZ Business Number. This has improved invoice accuracy in the Co-op's system which enables those businesses to be paid on time.

There are quite a few things that have to be in place to ensure invoices are paid quickly. For example, vendors need to submit correct

invoices, and invoices need to be checked in a timely manner to ensure they match the services delivered.

The Co-op has already been working with vendors to ensure their invoices are right first time by providing practical tips on what is required. It has also been impressing on its team the importance of prompt processing of invoices and the flow-on effect this has for vendors.

The Co-op moved fast to accelerate payments to better serve business-owners and New Zealand's economy. It demonstrates Fonterra's commitment to working with and supporting New Zealand's local communities, not only during COVID-19, but beyond.

Supplementary Information

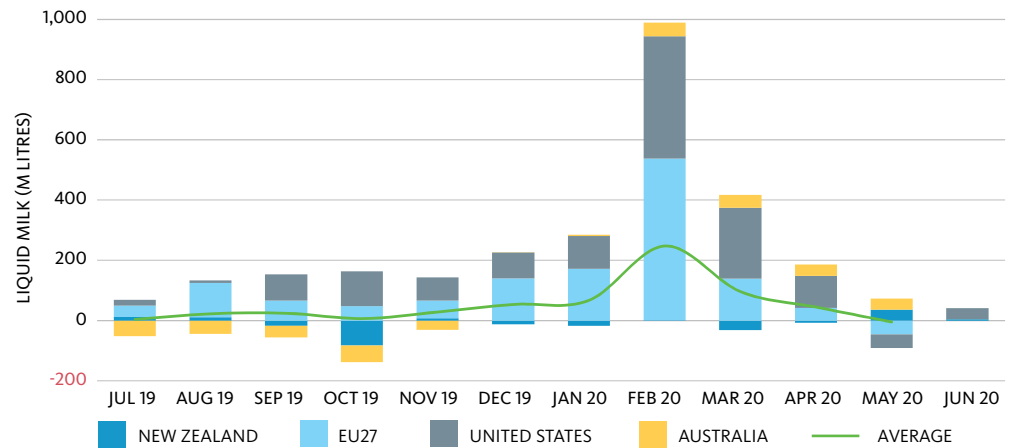
Global Dairy Market

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.

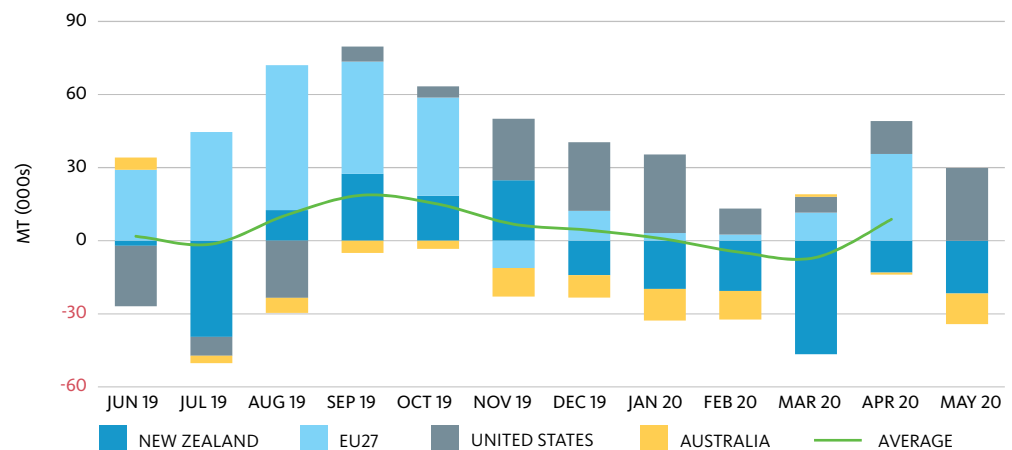
Averages are shown where data is complete for the regions presented.

PRODUCTION



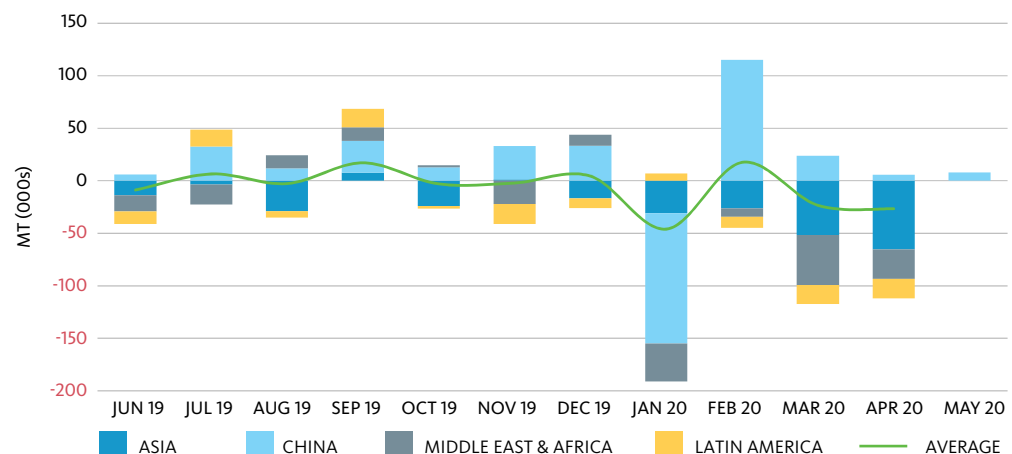
NOTE: Data for EU and Australia to May; New Zealand and US to June.

EXPORTS



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

IMPORTS



NOTE: Data for Asia, Middle East & Africa and Latin America 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 2020	JUNE 2019	MONTHLY CHANGE	SEASON-TO-DATE 2020/21	SEASON-TO-DATE 2019/20	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	14.8	14.4	2.7%	14.8	14.4	2.7%
North Island	11.0	11.1	(1.2%)	11.0	11.1	(1.2%)
South Island	3.8	3.3	16.0%	3.8	3.3	16.0%

MILK COLLECTION (MILLION KGMS)	JUNE 2020	JUNE 2019	MONTHLY CHANGE	SEASON-TO-DATE 2019/20	SEASON-TO-DATE 2018/19	SEASON-TO-DATE CHANGE
Fonterra Australia	6.8	7.0	(2.0%)	107.8	122.2	(11.8%)

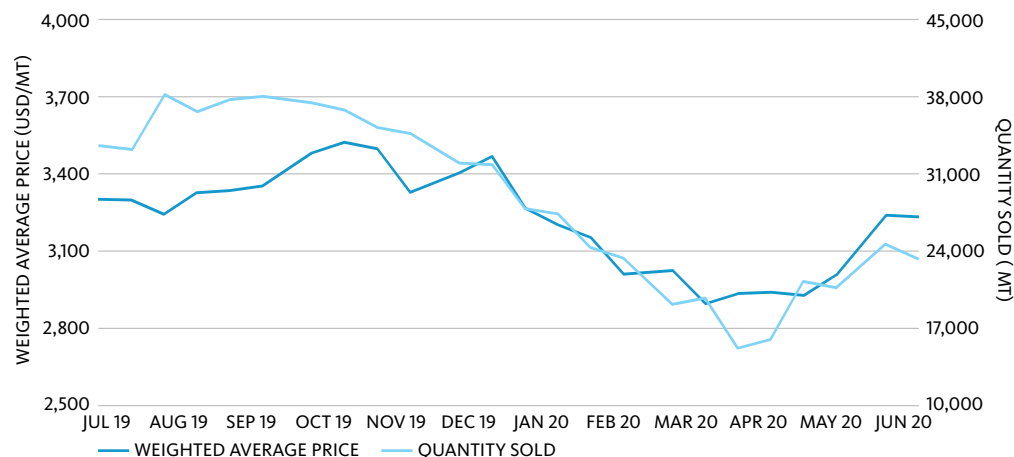
Fonterra GDT results

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

	LAST TRADING EVENT (21 JULY 2020)	YEAR-TO-DATE (FROM 1 AUGUST 2019)
Quantity Sold on GDT (Winning MT)	23,295	688,164
Change in Quantity Sold on GDT over same period last year	(2.9%)	1.8%
Weighted Average Product Price (USD/MT)	3,233	3,269
Change in Weighted Average Product Price over same period last year	(6.3%)	5.1%
Change in Weighted Average Product Price from previous event	(0.2%)	-

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.

MENA

Middle East – North Africa.

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