FEBRUARY 2021

Global Dairy UPDATE

Our Markets

- New Zealand production in line with last 12 months and annual production up in other regions.
- New Zealand and US monthly exports down. Australia and EU exports increase.
- China monthly imports steadily increase. LATAM monthly imports up and Middle East and Africa and Asia imports down.
- Fonterra's season-to date New Zealand milk collection was 1,071 million kgMS at the end of January, down 0.8% on prior season.
- Fonterra Australia Milk collection for January was 9.7 million kgMS, an increase of 4.5% compared to last season.

Our Performance

- Report confirms NZ milk has the world's lowest carbon footprint.

Our Co-op

- Fonterra joins forces with Royal DSM to lower carbon footprint.

Key Dates

17 March 2021
FY21 Interim Results Announcement

20 April 2021
Compliance Date for 2020/21 Season

May 2021
FY21 Q3 Business Update

Global Production

Production in New Zealand in line with last 12 months and annual production up in other regions

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

CLICK HERE ▶

NEW ZEALAND

0.8%↑
Change for January 2021 compared to January 2020

0.6%↑
Change for the 12 months to January 2021

New Zealand milk production[1] increased 0.8% on a litres basis in January compared to January last year.

Mild conditions across the country with varied rainfall resulted in lower than average soil moisture levels for most of the North Island.

New Zealand milk production for the 12 months to January was 0.6% higher than last year.

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

AUSTRALIA

2.0%↓
Change for December 2020 compared to December 2019

2.8%↑
Change for the 12 months to December 2020

Australia milk production was down 2% in December compared to December last year.

Smaller milk pools resulting from reduced herd sizes and a drop-in farm numbers continue to constrain milk production growth.

Dairy Australia expects milk production to track towards the lower end of the current 1% to 3% growth range for 2020/21.

Australia milk production for the 12 months to December was 2.8% higher than last year.

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

EUROPEAN UNION/UK

0.3%↑
Change for December 2020 compared to December 2019

1.0%↑
Change for the 12 months to December 2020

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

Increases were observed in Italy (+5.3%), Ireland (+4.6%), Poland (+1.2%) and UK (+1.0%) and offset by continuing declines in France and Germany.

EU milk production for the 12 months to December was up by 1.0% compared to the same period last year.

USA

1.6%↑
Change for January 2021 compared to January 2020

2.2%↑
Change for the 12 months to January 2021

US milk production increased by 1.6% in January, compared to the same period last year.

US production continues to increase driven by higher milk per cow yields and herd size. This follows months of sustained growth albeit at a slower pace to prior months.

Milk production for the 12 months to January was 2.2% 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 was a leap year.

Global Exports

New Zealand and US monthly exports down. Australia and EU exports increase

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

CLICK HERE ▶

NEW ZEALAND

7.9%↓
Change for December 2020 compared to December 2019

2.8%↓
Change for the 12 months to December 2020

Total New Zealand dairy exports decreased by 7.9% or 33,119 MT, in December compared to the same period last year.

The decrease in exports was driven mainly by lower volumes of WMP and SMP down a combined 30,810 MT. The decrease was the result of the production and shipment profile of WMP which had peak shipments in November. This was partially offset by an increase in cheese, up 4,377 MT.

Exports for the 12 months to December were down by 2.8%, or 100,293 MT, on the previous comparable period. This was primarily driven by butter, SMP, infant formula and fluid milk products.

AUSTRALIA

25.4%↑
Change for December 2020 compared to December 2019

0.8%↑
Change for the 12 months to December 2020

Australia dairy exports increased by 25.4%, or 15,983 MT, in December compared to the same period last year which was lower than usual. The increase was also driven by higher demand from China in fluid milk products and SMP up a combined 13,877 MT.

Exports for the 12 months to December were up 0.8%, or 5,666 MT, on the previous comparable period.

This was led by increases in fluid milk products, lactose and whey but partially offset by declines in infant formula and cheese.

EUROPEAN UNION/UK

5.6%↑
Change for November 2020 compared to November 2019

3.3%↑
Change for the 12 months to November 2020

EU (including UK) dairy exports increased by 5.6%, or 25,054MT, in November compared to the same period last year.

November saw increased shipment of fluid milk product to China and cheese to the United States and Japan.

Exports for the 12 months to November were up 3.3%, or 188,115 MT, on the previous comparable period. Fluid milk products, cheese, whey, butter and WMP were the main drivers of this growth, up a combined 326,298 MT. It was partially offset by a large decline in SMP down 156,160 MT.

USA

1.0%↓
Change for December 2020 compared to December 2019

10.2%↑
Change for the 12 months to December 2020

US dairy exports decreased 1.0%, or 2,020 MT, in December compared to the same period last year.

The decrease was led by lower shipments of SMP as a result of disruptive shipping and logistical issues. Demand for whey to China partially offset the decrease, with continued high demand attributable to recovering hog herds.

Exports for the 12 months to December 2020 were up 10.2%, or 232,571 MT on the previous comparable period, driven by SMP, whey and WPC combined 223,492 MT.

Global Imports

China monthly imports steadily increase. LATAM monthly imports up and Middle East and Africa and Asia imports down

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

CLICK HERE ▶

LATIN AMERICA

13.4%↑
Change for November 2020 compared to November 2019

0.0%
Change for the 12 months to November 2020

Latin America dairy import volumes[1] increased 13.4%, or 18,706 MT, in November compared to the same period the previous year.

This was driven by higher volumes of SMP to Mexico and higher shipments of WMP to Brazil and Cuba.

Imports for the 12 months to November were flat compared to the same period the previous year.

ASIA

4.9%↓
Change for November 2020 compared to November 2019

3.5%↓
Change for the 12 months to November 2020

Asia (excluding China) dairy import volumes[1] decreased 4.9% or 20,187 MT, in November compared to the same period the previous year.

Decreases were recorded in SMP to South East Asia and Japan, WMP to Hong Kong and whey to Pakistan.

Imports for the 12 months to November were down 3.5%, or 172,820 MT, compared to the same period the previous year.

Decreases were recorded across WMP, SMP, fluid products and whey down a combined 224,800 MT and offset partially by increased volumes in lactose, up 47,068 MT.

MIDDLE EAST & AFRICA

12.0%↓
Change for November 2020 compared to November 2019

3.9%↓
Change for the 12 months to November 2020

Middle East and Africa dairy import volumes[1] decreased 12.0% or 36,597 MT in November 2020 compared to the same period the previous year.

Decreases were driven principally by lower volumes of fluid milk products to Kenya, SMP to Egypt and infant formula to Nigeria.

Imports for the 12 months to November were down 3.9%, or 154,992 MT, compared to November the previous year, driven by decreases in fluid milk products, infant formula, butter and cheese and partially offset by increases in SMP and WMP.

CHINA

18.6%↑
Change for December 2020 compared to December 2019

10.9%↑
Change for the 12 months to December 2020

China dairy import volumes increased by 18.6% or 51,204MT, in December compared to the same period the previous year.

Volumes of fluid milk products from Germany, New Zealand and Poland increased 42,031 MT as strong consumption persisted. Whey imports were also up 14,726 MT, primarily from the US as China is rebuilding its hog herd and using whey as feed.

WMP imports from New Zealand, Ukraine and Spain declined year on year.

Imports for the 12 months to December were up 10.9% or 343,567 MT, driven by whey, fluid milk products, butter and lactose.

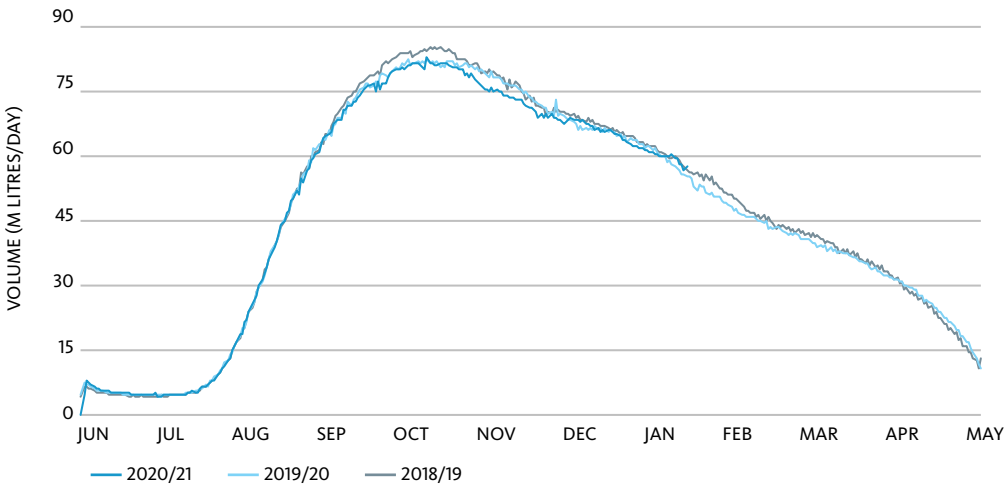
1 Estimates are included for those countries that have not reported data.

Fonterra Milk Collection

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

0.9% ↓
Change for January 2021 compared to January 2020

0.8% ↓
Season to date 1 June to 31 January

Fonterra's New Zealand collection for January was 168.2 million kgMS, 0.9% lower than the same month last season.

Season to date collection was 1,071.1 million kgMS, 0.8% behind last season.

After an unsettled start to January in some regions, warm and dry weather set in across much of the country mid-month. Record high temperatures were observed in eastern areas, particularly in the South Island which constrained milk collections.

NORTH ISLAND

0.0%
Change for January 2021 compared to January 2020

0.5% ↓
Season to date 1 June to 31 January

North Island milk collection in January was 96 million kgMS, the same as January last season.

Season to date collection was 656.8 million kgMS, 0.5% behind last season.

Collections in northern North Island regions were adversely impacted by prolonged dry spells, whereas the lower North Island collections were more stable.

SOUTH ISLAND

2.1% ↓
Change for January 2021 compared to January 2020

1.2% ↓
Season to date 1 June to 31 January

South Island milk collection in January was 72.3 million kgMS, 2.1% behind on January last season.

Season to date collection was 414.3 million kgMS, 1.2% behind on last season.

The warm and dry conditions adversely impacted pasture growth for the first half of the month. Good pasture growth returned with favourable growing conditions later in the month, resulting in an uptick in collections as January came to a close.

AUSTRALIA

4.5% ↑
Change for January 2021 compared to January 2020

1.3% ↓
Season to date 1 July to 31 January

Fonterra's Australia collection in January was 9.7 million kgMS, a 4.5% increase on January last season driven by Victoria and Tasmania.

Despite favourable seasonal conditions post peak in Victoria and Tasmania, reduced herd numbers combined with increased consumption of lower quality home-grown fodder instead of supplementary feed are constraining milk production growth across Australia.

Season to date collections are down 1.3% on last year.

Outlook

Forecast Fonterra Milk Collection Across New Zealand

1,525M kgMS
Forecast milk collection for the 2020/21 season

Fonterra Global Dairy Trade Results

Fonterra GDT results at last trading event **16 February 2021:**

3.7% ↑
Change in Fonterra's weighted average product price from previous event

USD 3,793
Fonterra's weighted average product price (USD/MT)

25.8 000' MT
Fonterra product quantity sold on GDT

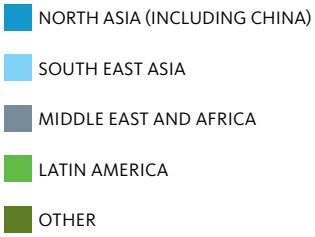
WMP	CHEDDAR	BUTTER
4.6% ↑	**2.1%** ↑	**2.0%** ↑
USD 3,615/MT	USD 4,268/MT	USD 5,129/MT

AMF	SMP
1.2% ↑	**0.3%** ↑
USD 5,527/MT	USD 3,262/MT

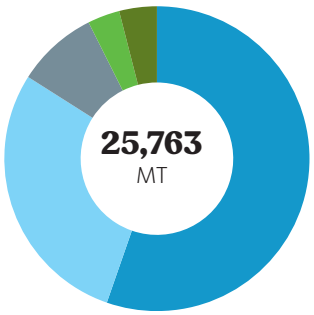
Fonterra GDT sales **by destination**:

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

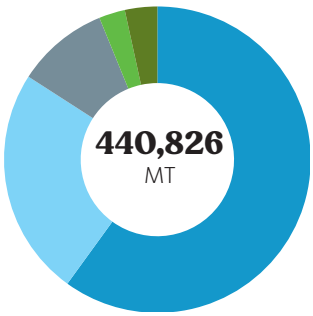
CLICK HERE ▶



LATEST AUCTION



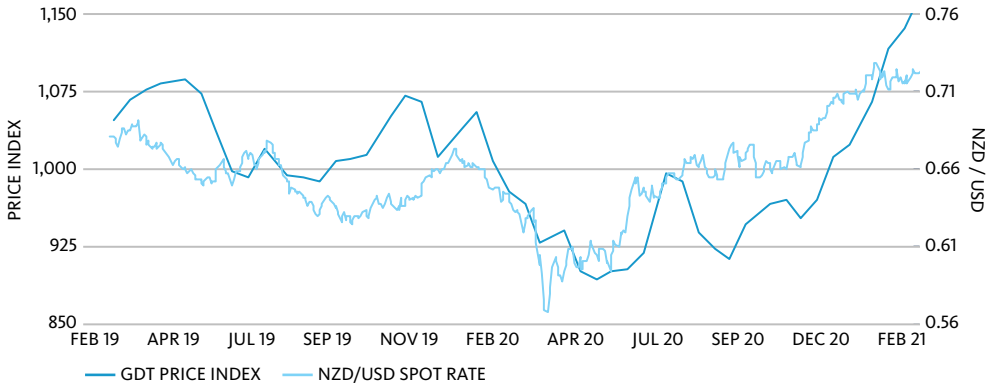
FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 2 March 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD remained supported during the first two months of 2021 trading in a narrow range between 71 and 73 US cents; underpinned by robust commodity prices, improving domestic economic data, and a lift in longer term interest rates.



Our Performance

Report confirms NZ milk has the world's lowest carbon footprint.

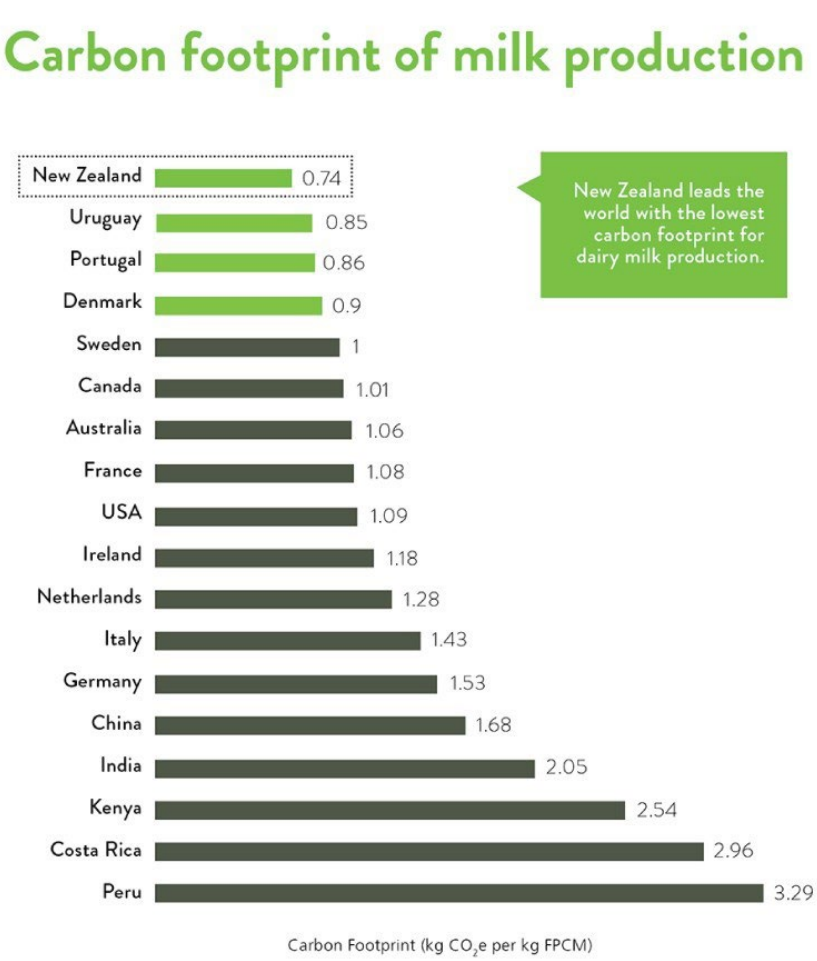
A new analysis released confirms New Zealand dairy farms have the lowest carbon footprint in the world.

The report from AgResearch, commissioned by DairyNZ compares New Zealand with 17 other countries. It confirms our footprint is 70% lower than the global average and 46% lower than the average of other countries in the study, which includes all major milk producers.

"This is the result of our unique pasture-based farming here in New Zealand and the hard graft of our farmers, which as an employee of the Co-op makes me feel pretty proud," says Director On-Farm Excellence, Charlotte Rutherford.

"We've seen consumers become increasingly interested in the carbon footprint of their products, and today's report confirms we're well placed to meet people's desire for food that's kinder to the planet.

"We know more needs to be done to keep improving and we're up for the challenge."



That's why innovation is a key part of the Co-op's strategy and why Fonterra has multiple partnerships to develop the tools and solutions needed to support farmers, particularly in areas where they face tough challenges, such as reducing methane emissions.

Charlotte says "one of the keys to helping guide farmers to continuously improve is ensuring they understand their emissions profiles.

"Last year all our farmers received a greenhouse gas emission report specific to their farms. It's a very practical step toward helping New Zealand meet climate change commitments."

But finding a solution requires more than just hard graft from the Co-op's farmers and solutions like Kowbucha™, seaweed and feed additives are being investigated for potential breakthroughs in reducing emissions from cows.

Fonterra has also teamed up with Nestlé and DairyNZ to expand a promising plantain trial to help improve waterways and reduce on-farm greenhouse gas (GHG) emissions.

Our Co-op

Fonterra joins forces with DSM to lower carbon footprint

Fonterra and Royal DSM, a global science-based company active in health, nutrition and sustainable living, are teaming up to work on reducing on-farm greenhouse gas (GHG) emissions in New Zealand.

While the organisations have a long-standing working relationship, the new collaboration is based around DSM's feed additive product Bovaer®, which effectively and consistently reduces methane emissions from cows by over 30 percent in non-pasture-based farming systems.

The question that needs answering now is: Can it do the same in New Zealand's pasture-based farming systems?

While New Zealand dairy farms are acknowledged as having the lowest carbon footprint in the world among major milk producers, Fonterra recognises that biological emissions produced by cows are a major contributor to the country's overall emissions and is working to do whatever it can to find ways to reduce them.

Fonterra Group Director Farm Source Richard Allen says that finding a solution to the methane challenge requires more than just the hard graft farmers are putting in.

"We need to find a breakthrough in reducing emissions from cows and Bovaer® could provide exactly that. This work with DSM is an exciting opportunity for the Co-op."

Fonterra Chief Science & Technology Officer, Prof. Jeremy Hill, says the Co-op wants to explore and validate how Bovaer® could work here in New Zealand, where cows are predominantly fed grass.

"We also see this as an opportunity to further accelerate our global leadership in low-carbon dairy products to create more value for our New Zealand milk."

"Fonterra is working closely with DSM New Zealand to ensure that any innovation is well tested and can easily be distributed and used by our farmers."

Mark van Nieuwland, global programme head for DSM Nutritional Products says they are proud to be in collaboration with Fonterra.

"Both companies have worked together for many years, and it's a pleasure to extend this to the field of sustainability and climate change," he says.

"With Fonterra, we have an important partner to potentially commercialise Bovaer® in New Zealand and globally. We look forward to combining our expertise and passion."

Bovaer® was featured by the World Resources Institute as one of the ten global break-through technologies that could help to feed the world sustainably and if trials prove successful, it could help continue New Zealand's leadership role in low carbon dairy production.

About DSM – Bright Science. Brighter Living.™
Royal DSM is a global, purpose-led, science-based company active in Nutrition, Health and Sustainable Living. DSM's purpose is to create brighter lives for all. DSM addresses with its products and solutions some of the world's biggest challenges while simultaneously creating economic, environmental and societal value for all its stakeholders – customers, employees, shareholders, and society at large. DSM delivers innovative solutions for human nutrition, animal nutrition, personal care and aroma, medical devices, green products and applications, and new mobility and connectivity. DSM and its associated companies deliver annual net sales of about €10 billion with approximately 23,000 employees. The company was founded in 1902 and is listed on Euronext Amsterdam. More information can be found at www.dsm.com.

About Bovaer®
Bovaer® is a feed additive for cows (and other ruminants, such as sheep, goats, and deer) researched and developed over 10 years by DSM. Just a quarter teaspoon of Bovaer® per cow per day reduces enteric methane emission by approximately 30% in non-pasture-based farming. The feed additive Bovaer® therefore contributes to a significant and immediate reduction of the environmental footprint of meat, milk and dairy products.

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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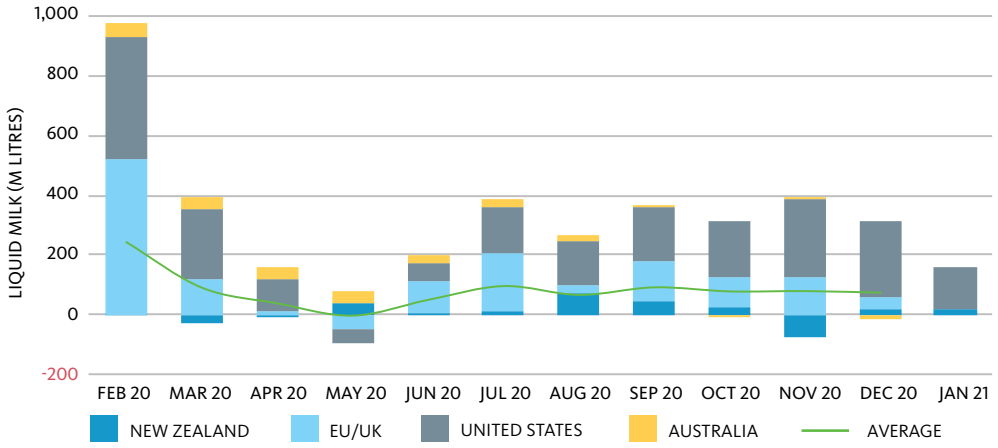
PRODUCTION



NOTE: Data for EU/UK and Australia to December; New Zealand and US to January.

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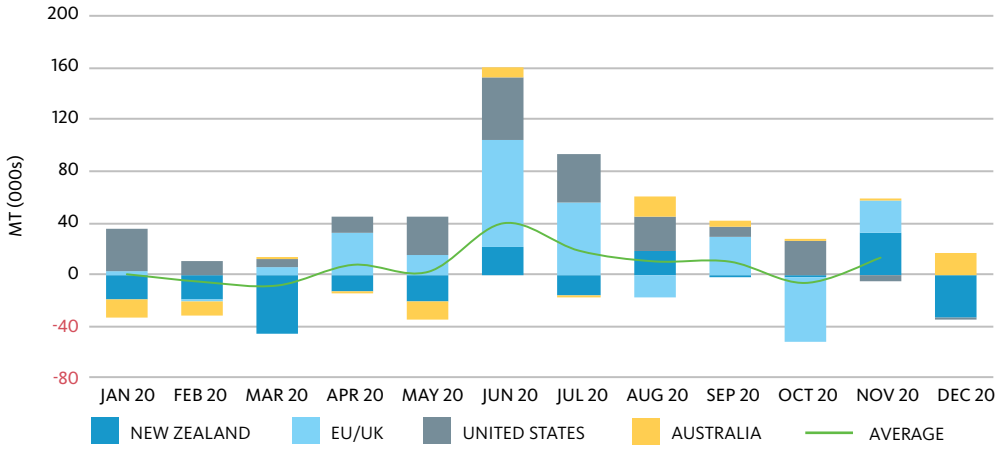
EXPORTS



NOTE: Data for EU/UK to November; New Zealand, Australia and US to December.

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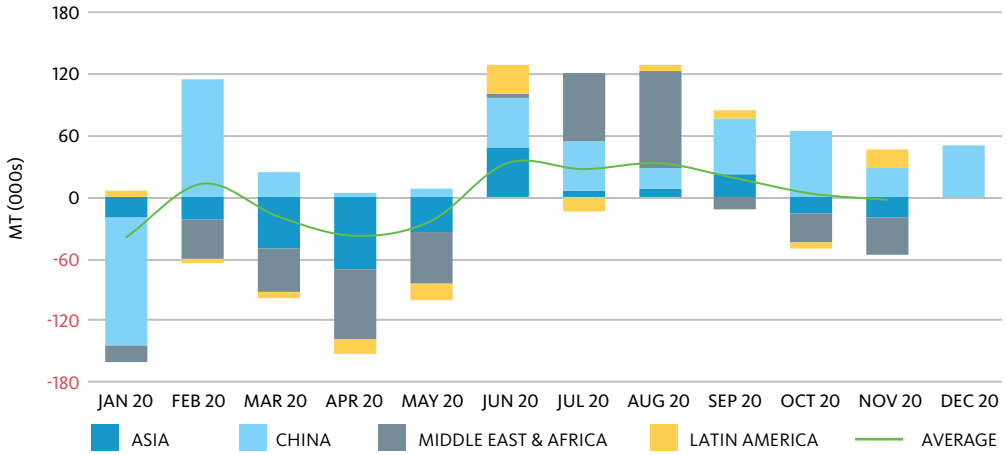
IMPORTS



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

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)	JANUARY 2021	JANUARY 2020	MONTHLY CHANGE	SEASON-TO-DATE 2020/21	SEASON-TO-DATE 2019/20	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	168.2	169.8	(0.9%)	1,071.1	1,079.5	(0.8%)
North Island	96.0	96.0	0.0%	656.8	660.3	(0.5%)
South Island	72.3	73.8	(2.1%)	414.3	419.2	(1.2%)
Australia	9.7	9.3	4.5%	68.7	69.6	(1.3%)

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 FEBRUARY 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2020)
Quantity Sold on GDT (Winning MT)	25,763	440,826
Change in Quantity Sold on GDT over same period last year	(5.9%)	(8.3%)
Weighted Average Product Price (USD/MT)	3,793	3,265
Change in Weighted Average Product Price over same period last year	18.4%	(2.9%)
Change in Weighted Average Product Price from previous event	3.7%	–

Fonterra GDT results

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

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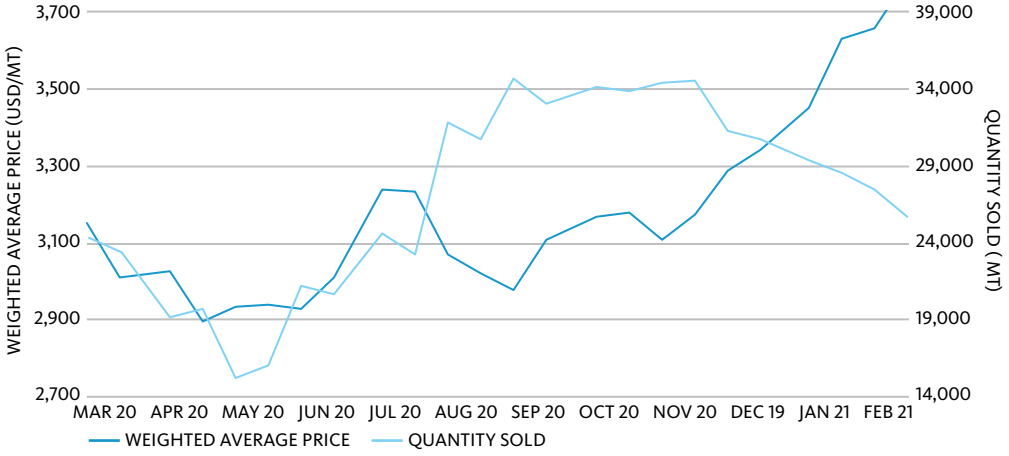

Glossary

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.

NZMP

New Zealand Milk Products.

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