



# Market Announcement

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5 March 2021

## Fonterra lifts its 2020/21 forecast Farmgate Milk Price range

Fonterra Co-operative Group Limited today lifted its 2020/21 forecast Farmgate Milk Price range to NZD \$7.30 - \$7.90 per kgMS, up from NZD \$6.90 - \$7.50 per kgMS.

The midpoint of the range, which farmers are paid off, has increased to NZD \$7.60 per kgMS.

Fonterra CEO Miles Hurrell says the lift in the 2020/21 forecast Farmgate Milk Price range is a result of consistent strong demand for New Zealand dairy.

“We’ve seen Global Dairy Trade (GDT) prices continuing to increase since February when we last updated on our forecast Farmgate Milk Price and then this week there was the 15% increase in GDT prices.

“It’s very much a China demand led story but there is also good demand for New Zealand dairy across South East Asia and the Middle East.

“China’s strong economic recovery, following the initial impact of COVID-19, is flowing through to strong demand for dairy and we’ve seen this through sales during the Chinese New Year.

“China’s local milk supply is being used in fresh dairy products and they are looking to us to provide longer-life dairy products – in particular, whole milk powder which has a big influence on the forecast Farmgate Milk Price.

“Customers know we are continuing to get products to market, despite the challenges in the global supply chain and they are looking to us for this reliability. We’re also seeing customers want to buy more of our products than usual to help mitigate the risk of global supply chain delays.”

Hurrell says today’s lift in the Co-op’s forecast Farmgate Milk Price is good news for New Zealand farmers and the wellbeing of rural communities. It would see the Co-op contribute more than \$11.5 billion to the New Zealand economy through milk price payments this year.

Fonterra has decided to maintain its plus or minus 30 cent range on its forecast Farmgate Milk Price, reflecting the continued uncertainties in the global dairy market.

Hurrell says it is important that farmers recognise there are a number of downside risks to the mid-point of the range. For example, the EU and US are heading into their season and their milk supply will start increasing, the impacts of COVID-19 on key markets and market volatility.

“A \$7.60 per kgMS forecast Farmgate Milk Price also increases our input costs putting further pressure on our earnings in the second half of the 2020/21 financial year. More details on our earnings will be provided at our half year results on 17 March.”

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