



MARCH 2021

Global Dairy UPDATE



- Monthly production in New Zealand and Australia up, EU and US down.

- NZMP Organic Butter goes carbonzero™
- On 17 March, Fonterra announced its Interim Results.

[For further details, view our website –](#)



- New Zealand monthly exports up. Australia and EU exports show strong monthly growth. US monthly exports down.



- China monthly imports show strong increase. Latin America, Middle East and Africa and Asia monthly imports up.



- Fonterra's New Zealand milk collection for February was 136.5 million kgMS, a 2.3% increase on February last season. At the end of February, season-to date collections were in line with last season, down 0.4%.
- Fonterra's Australia milk collection for February was 7.2 million kgMS, a decrease of 5.8% compared to last season.

- The Co-operative Difference payment.

Key Dates



20 April 2021
Compliance Date for 2020/21 Season

May 2021
FY21 Q3 Business Update

1 June 2021
Start of the 2021/22 Season



Monthly production in New Zealand and Australia up, EU and US down

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

NEW ZEALAND

3.0%↑

Change for February 2021 compared to February 2020

0.8%↑

Change for the 12 months to February 2021

New Zealand milk production¹ increased 3.0% on a litres basis in February compared to February last year despite dry conditions across most of the country. This resulted in lower soil moisture levels particularly in the North Island.

New Zealand milk production for the 12 months to February was 0.8% higher than last year.

Fonterra collections in New Zealand are reported for February, see page 5 for details.

AUSTRALIA

3.3%↑

Change for January 2021 compared to January 2020

3.0%↑

Change for the 12 months to January 2021

Australia milk production was up 3.3% in January compared to last January as a result of favourable milk production conditions across dairy farming regions. Growth was constrained, however, by reduced herd sizes, farm exits, and labour challenges related to Covid-19. 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 January was 3.0% higher than last year.

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

EUROPEAN UNION

1.1%↓

Change for January 2021 compared to January 2020

0.9%↑

Change for the 12 months to January 2021

EU milk production² decreased 1.1% in January compared to the same period last year and represents the weakest growth in the last two years.

This was driven by decreases observed in key milk producing countries and in particular in France (down 3.4%), Germany (1.7%) and Netherlands (1.4%).

EU milk production for the 12 months to January was up 0.9% compared to the same period last year, driven by higher volumes from Ireland, Poland and Spain.

USA

1.5%↓

Change for February 2021 compared to February 2020

1.7%↑

Change for the 12 months to February 2021

US milk production decreased 1.5% in February, compared to the same period last year. However, after adjusting for 2020 leap year, production increased by 2.0%, driven by continued herd size expansion and higher milk yield per cow.

Milk production for the 12 months to February was 1.7% higher compared to the same period last year.

1 New Zealand production is measured in litres.

2 Excludes UK.

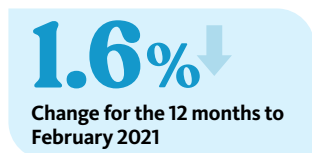
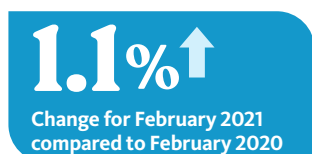
Note: 2020 production numbers include one extra day of production in February as 2020 was a leap year.



New Zealand monthly exports up. Australia and EU exports show strong monthly growth. US monthly exports down

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

NEW ZEALAND

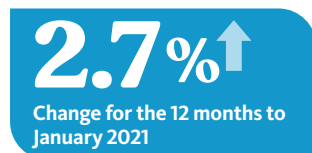
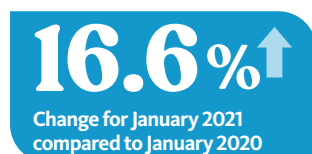


Total New Zealand dairy exports increased by 1.1%, or 3,203 MT, in February compared to the same period last year.

The increase was due to higher volumes of fluid milk product and WMP to China, up a combined 15,141 MT in February. This was partially offset by a decrease in SMP and butter, down 12,760 MT.

Exports for the 12 months to February were down by 1.6%, or 54,734 MT, on the previous comparable period. This was primarily driven by SMP, butter, infant formula and casein but partially offset by increases in WMP.

AUSTRALIA



Australia dairy exports increased 16.6%, or 8,547 MT, in January compared to the same period last year

The increase was driven by continuing demand from China in fluid milk products, up 8,505 MT.

Exports for the 12 months to January were up 2.7%, or 20,273 MT, on the previous comparable period.

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

EUROPEAN UNION

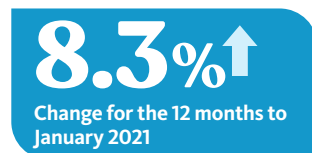
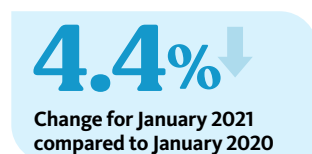


EU dairy exports¹ increased 18.2%, or 91,972 MT, in December compared to the same period last year.

December saw increased shipments of fluid milk product to China and cheese to Japan, Switzerland, South Korea and Ukraine.

Exports for the 12 months to December were up 3.1%, or 212,808 MT, on the previous comparable period. Fluid milk products, cheese, whey, lactose and WMP were the main drivers of this growth, up a combined 325,891 MT. It was partially offset by a large decline in SMP down 115,447 MT.

USA



US dairy exports decreased 4.4%, or 8,911 MT, in January compared to the same period last year.

The decrease was led by lower shipments of lactose across all regions and of SMP to South East Asia. Continued high demand for whey from China partially offset the decrease.

Exports for the 12 months to January 2021 were up 8.3%, or 191,544 MT on the previous comparable period, driven by SMP, whey and WPC combined 196,593 MT.

¹ Excludes UK.



China monthly imports show record increase. Latin America, Middle East and Africa and Asia monthly imports up

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

LATIN AMERICA

10.1%↑

Change for December 2020 compared to December 2019

1.3%↑

Change for the 12 months to December 2020

Latin America dairy import volumes¹ increased 10.1%, or 14,681 MT, in December compared to the same period the previous year.

This increase was due to higher shipments of WMP to Brazil and fluid milk products to Mexico. This was partially offset by lower volumes of SMP and whey powder to Mexico.

Imports for the 12 months to December were up 1.3% compared to the same period the previous year.

ASIA

0.8%↑

Change for December 2020 compared to December 2019

2.9%↓

Change for the 12 months to December 2020

Asia (excluding China) dairy import volumes¹ increased 0.8% or 3,014 MT, in December compared to the same period the previous year.

Increases were recorded in cheese to Japan, ice cream to Indonesia and infant formula to Malaysia and were partially offset by lower volumes of whey to Indonesia.

Imports for the 12 months to December were down 2.9%, or 141,921 MT, compared to the same period the previous year.

Decreases were recorded across WMP, SMP, fluid products and whey, down a combined 191,561 MT, and offset partially by increased volumes in lactose, up 46,994 MT.

MIDDLE EAST & AFRICA

6.6%↑

Change for December 2020 compared to December 2019

1.0%↓

Change for the 12 months to December 2020

Middle East and Africa dairy import volumes¹ increased 6.6% or 20,535 MT, in December 2020 compared to the same period the previous year.

This increase was mainly driven by infant formula to Nigeria, up 43,996 MT, and partially offset by lower volumes of butter, WMP and fluid milk products.

Imports for the 12 months to December were down 1.0%, or 40,685 MT, compared to December the previous year, driven by decreases in fluid milk products and butter and partially offset by increases in SMP and WMP.

CHINA

25.8%↑

Change for January 2021 compared to January 2020

18.1%↑

Change for the 12 months to January 2021

China dairy import volumes increased 25.8%, or 81,391 MT, in January compared to the same period the previous year.

This record monthly volume was due to increased fluid milk products from New Zealand and Europe, up 55%, SMP up 41% from New Zealand and whey from US and Europe, up 30%.

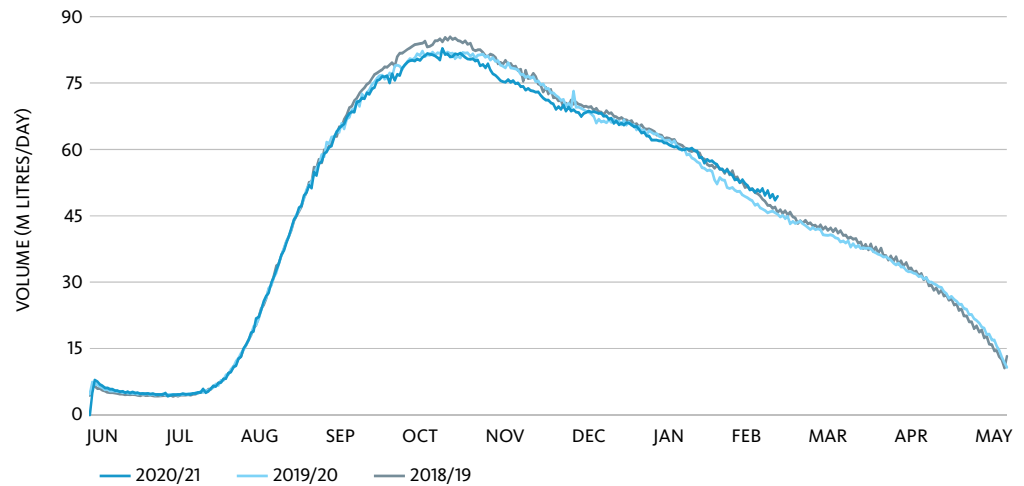
Imports for the 12 months to January were up 18.1% or 549,248 MT, driven by whey, fluid milk products, WMP and SMP.

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



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

2.3%↑
Change for February 2021 compared to February 2020

0.4%↓
Season to date
1 June to 28 February

Fonterra's New Zealand collection for February was 136.5 million kgMS, 2.3% higher than the same month last season. Season-to-date collection was 1,207.6 million kgMS, 0.4% behind last season. February saw a generally settled end to summer across the country, but with some bouts of wet and windy weather. Other than the far north of the North Island and Fiordland in the South Island, the whole country was sunnier than average for the time of the year. In regions that had rainfall with that warm weather, good pasture growth resulted.

NORTH ISLAND

5.9%↑
Change for February 2021 compared to February 2020

0.1%↑
Season to date
1 June to 28 February

North Island milk collection in February was 73.9 million kgMS, 5.9% higher than February last season. Season-to-date collection was 730.7 million kgMS, 0.1% ahead of last season. Parts of the North Island saw rainfall stimulating recovery in pasture and milk collections. Northland experienced well above average rainfall, going some way to alleviating the very dry conditions that region had been experiencing throughout summer.

SOUTH ISLAND

1.7%↓
Change for February 2021 compared to February 2020

1.2%↓
Season to date
1 June to 28 February

South Island milk collection in February was 62.6 million kgMS, 1.7% behind February last season. Season-to-date collection was 476.9 million kgMS, behind 1.2% on last season. Higher than average temperatures with favourable growing conditions across much of the South Island led to better than average collections. While these were down on February last season, South Island collections in February 2020 were among the strongest in recent seasons.

AUSTRALIA

5.8%↓
Change for February 2021 compared to February 2020

1.8%↓
Season to date
1 July to 28 February

Fonterra's Australia collection in February were 7.2 million kgMS, a 5.8% decrease on February last season. Lower herd numbers combined with increased consumption of lower quality home-grown fodder instead of supplementary feed are continuing to impact milk production growth across Australia. Season-to-date collections are down 1.8% on last year.

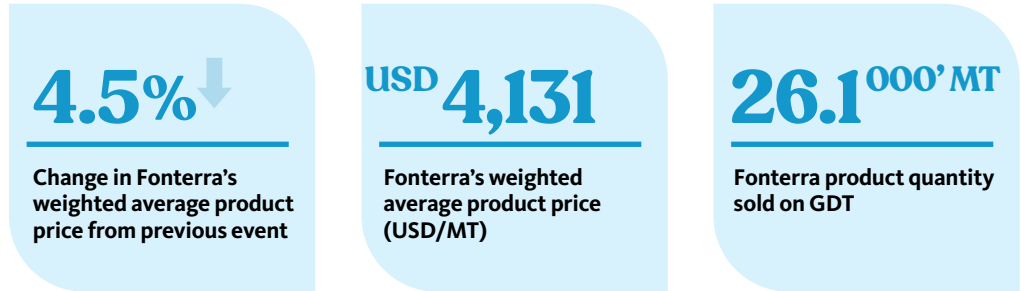
The inclusion of off-GDT sales contributed 8 cents per kgMS to the Milk Price for the season to 31 January 2021.

OUR MARKETS

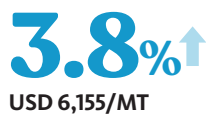
Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event
16 March 2021:



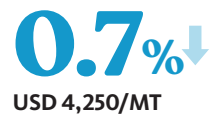
AMF



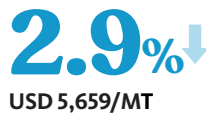
SMP



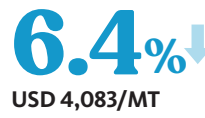
CHEDDAR



BUTTER

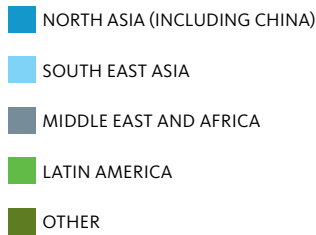


WMP

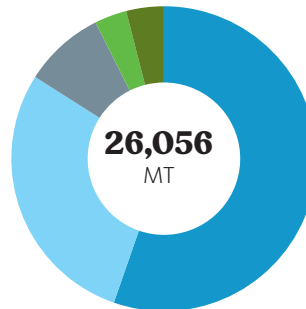


Fonterra GDT sales by destination:

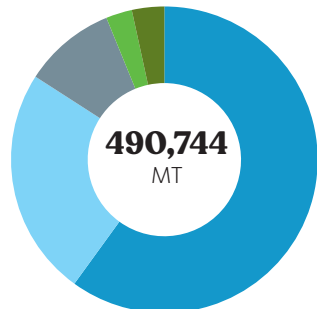
To view more information, including a snapshot of the rolling year-to-date results –



LATEST AUCTION



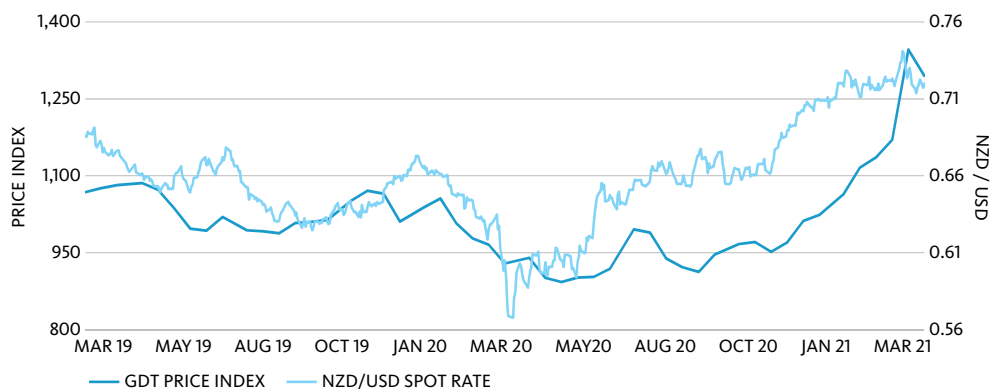
FINANCIAL YEAR-TO-DATE



► The next trading event will be held on 6 April 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD/USD exchange rate increased following a surge in global commodity prices however, growing expectations of a resurgent US economy, aided by a large fiscal stimulus package and expeditious vaccination programme putting downward pressure on the NZD.



Our Performance



NZMP Organic Butter goes carbonzero™



In Fonterra's latest step forward in passing on the benefits of its sustainability efforts to customers, it's excited to launch carbonzero™ certified NZMP Organic Butter to the North American market, the first product in a portfolio of carbonzero™ certified ingredients.

Kelvin Wickham, Fonterra's CEO for AMENA, says that carbonzero ingredients, like NZMP™ Organic Butter, can help unlock real benefits for our customers:

"It helps them to meet their sustainability targets, signal environmental values, and grow brand preference and market share through differentiated products.

"According to a new report New Zealand dairy farming already has the world's lowest on-farm carbon footprint, approximately one third of the global average, putting NZMP™ in a strong position to offer sustainability solutions that

help customers reduce their environmental impact, while claiming an advantage in the market."

To become carbonzero™ certified, Fonterra has partnered with an independent company called Toitu Envirocare. This company measures the impact of producing the NZMP Organic Butter, all the way from farm and manufacturing, through to distribution and even the disposal of packaging by customers. Understanding Fonterra's footprint, means the Co-operative can offset its impact with high quality carbon credits from projects, including native forest regeneration in New Zealand and Gold Standard renewable energy projects.

Leading the transition to a low carbon future is a priority in Fonterra's strategy. Achieving carbonzero™ certification for products like Organic Butter is a great way to help customers and

the environment in the short-term, while the Co-op works towards net zero in its operations.

Lara Phillips, Senior Manager of Fonterra Sustainability Solutions says, "We are delighted we can offer NZMP customers a way to contribute to a lower carbon future and welcome the opportunity to work with them on making more NZMP ingredients carbonzero™ certified".

NZMP™ Organic Butter carbonzero™ certified is currently available to customers in the US. Overtime, to support customer needs and demand, NZMP™ will look to broaden the portfolio to more product categories and regions.

[To find out more –](#)



The Co-operative Difference payment

Fonterra has released the details of how it will pay farmers for producing sustainable, high quality milk as part of The Co-operative Difference framework.

From 1 June 2021, up to 10 cents of each farm's milk payment will be determined by the farm's sustainability credentials and milk quality.

"Fonterra farmers are already among the world's best in these areas and we're really proud of that. The Co-operative Difference payment is another way we can recognise farmers, while also supporting our strategy to grow the value of our New Zealand milk by responding to increasing demand around the world for sustainably-produced dairy," says Richard Allen, Group Director, Farm Source.

"The new payment recognises farmers who are already going above and beyond because they've innovated and invested early, and it also offers farmers more encouragement for taking the steps required to meet the changing expectations of customers and communities, both today and into the future."

"We want to reward the on-farm efforts that demonstrate our Co-op's care for the environment, animals, people and communities. It's these actions which help ensure we're the dairy company of choice for customers around the world and for New Zealand dairy farmers, for generations to come," says Richard.

Te Pūtake

7c kgMs on all milk supplied

You must meet all four achievements and have them verified before the end of the season.

<p style="margin: 0;">Environment</p> <p style="margin: 0; font-size: x-small;">Farm Environment Plan in place with at least three out of four key practices being achieved.</p>	<p style="margin: 0;">Animals</p> <p style="margin: 0; font-size: x-small;">Have and implement an Animal Wellbeing Plan developed with your vet.</p>
<p style="margin: 0;">People and Community</p> <p style="margin: 0; font-size: x-small;">Complete the DairyNZ Workplace 360 Assessment and achieve 100% on the foundation level.</p>	<p style="margin: 0;">Co-op and Prosperity</p> <p style="margin: 0; font-size: x-small;">Full and accurate Farm Dairy Records kept and submitted by 30 June 2022.</p>

Te Puku

3c kgMs on all qualifying milk

- Once Te Pūtake is achieved, the next step is Te Puku which is all about milk quality.
- To achieve Te Puku, your farm must achieve milk quality excellence for at least 30 days during the season.
- Once this has been achieved, all milk supplied during the season that meets the milk quality excellence standard will attract the payment.

While The Co-operative Difference framework was introduced in 2019, the milk payment is new to farmers.

The 10 cent Co-operative Difference payment is made up of:

- 7 cents per kgMS for achievement under the Environment, Co-op & Prosperity, Animals, and People & Community focus areas. Once these have been achieved;
- 3 cents per kgMS where Excellence is achieved for all milk quality parameters under the Milk Quality framework.

The Co-operative Difference payment details:

- Effective from next season, from 1 June 2021.
- Current Farm Source Rewards Dollars in The Co-operative Difference will be replaced with The Co-operative Difference payment.
- The amount and targets will be set annually by the Fonterra Board.
- The total amount available to be paid to farmers does not change, but a proportion of the Farmgate Milk Price will be available to be redistributed between farmers to better reflect individual farm's achievement against the Co-operative Difference Framework.

Supplementary Information

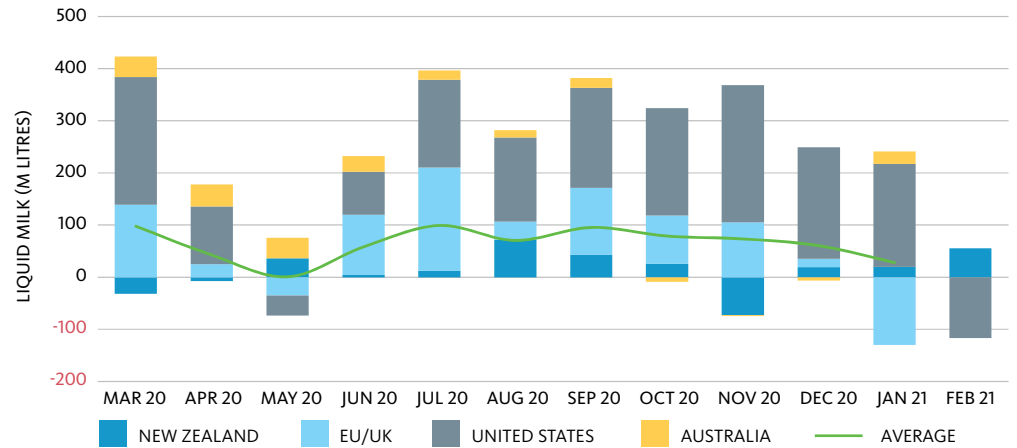
Global Dairy Market

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.

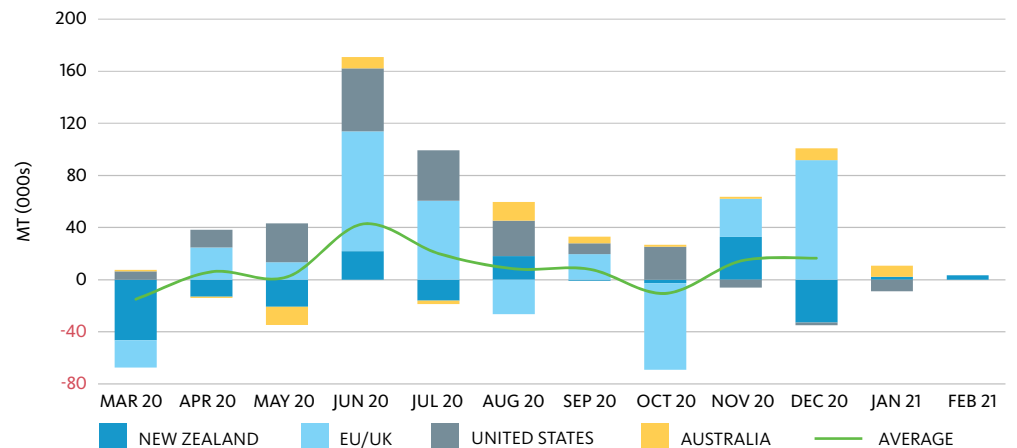
Averages are shown where data is complete for the regions presented.

PRODUCTION



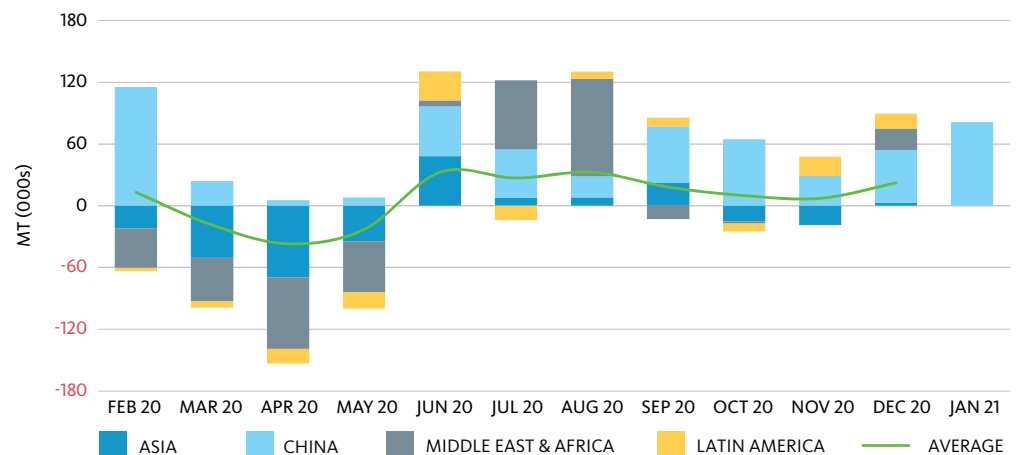
NOTE: Data for EU/UK and Australia to January; New Zealand and US to February.

EXPORTS



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

IMPORTS



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

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)	FEBRUARY 2021	FEBRUARY 2020	MONTHLY CHANGE	SEASON-TO-DATE 2020/21	SEASON-TO-DATE 2019/20	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	136.5	133.5	2.3%	1,207.6	1,212.9	(0.4%)
North Island	73.9	69.8	5.9%	730.7	730.1	0.1%
South Island	62.6	63.7	(1.7%)	476.9	482.9	(1.2%)
Australia	7.2	7.7	(5.8%)	75.9	77.3	(1.8%)

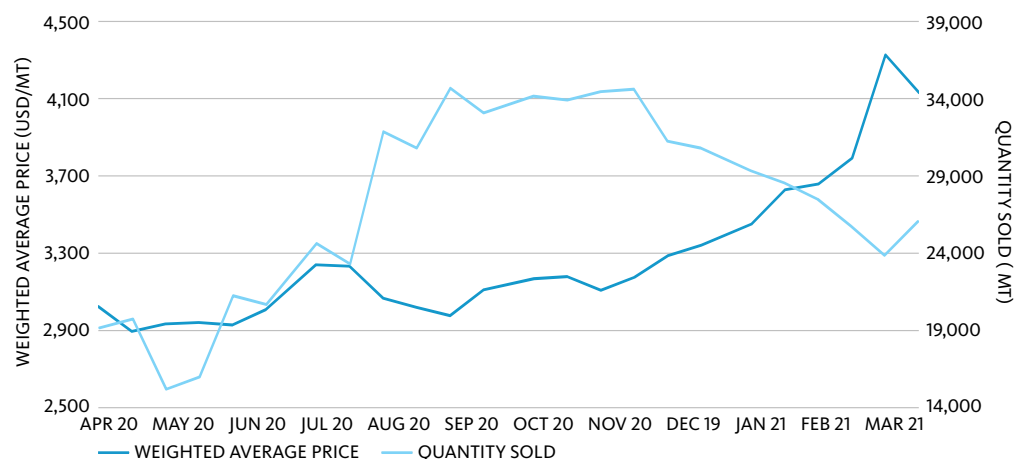
Fonterra GDT results

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

	LAST TRADING EVENT (16 MARCH 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2020)
Quantity Sold on GDT (Winning MT)	26,056	490,744
Change in Quantity Sold on GDT over same period last year	11.5%	(7.1%)
Weighted Average Product Price (USD/MT)	4,131	3,362
Change in Weighted Average Product Price over same period last year	37.2%	0.7%
Change in Weighted Average Product Price from previous event	(4.5%)	-

Fonterra GDT results

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



Glossary

AMENA

Africa, Middle East, Europe, North Asia, Americas.

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.

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