

JUNE 2021

Global Dairy UPDATE



- New Zealand finishes full season up on previous season. US and EU monthly production up, Australia flat.

- Clean sweep at New Zealand Dairy Industry Awards .



- Increase in monthly exports observed across all regions.



- China monthly imports continue to grow. Latin America, Middle East and Africa and Asia monthly imports increase.



- Fonterra's New Zealand milk collection for the season ended 31 May 2021 was 1,539 million kgMS, up 1.5% on prior season.
- Fonterra's Australian collection for May was 7.7 million kgMS, a 0.2% increase compared to last season.

- A milk tanker with a difference.

Key Dates



31 July 2021
End of Financial Year 2021

September 2021
FY21 Annual Results
Announcement

December 2021
FCG/FSF Annual Meetings



New Zealand finishes full season up on previous season. US and EU monthly production up, Australia flat

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

NEW ZEALAND

7.6%↑

Change for May 2021 compared to May 2020

2.6%↑

Change for the 12 months to May 2021

New Zealand milk production¹ increased 7.6% on a litres basis, (up 9.4% on milk solids basis) in May compared to May last year.

Despite severe flooding in Canterbury at the end of the month, warm temperatures across the North Island and Marlborough contributed favourably to end of season milk production.

Full season New Zealand milk production for the 12 months to May was 2.6% higher than last year.

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

AUSTRALIA

0.0%

Change for April 2021 compared to April 2020

1.3%↑

Change for the 12 months to April 2021

Australia milk production was flat in April compared to April last year.

Despite favourable seasonal conditions and increased farmer confidence, reduced herd numbers, farm exits, and labour shortages are constraining milk production growth across Australia. Dairy Australia is forecasting milk production to be -1% to +1% for the 2020/21 season.

Australia milk production for the 12 months to April was 1.3% higher than last year.

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

EUROPEAN UNION

0.8%↑

Change for April 2021 compared to April 2020

0.2%↑

Change for the 12 months to April 2021

EU milk production² increased by 0.8% in April compared to the same period last year.

Strong volumes were observed in Ireland (up 6.1%), Spain (2.2%) and Poland (1.9%), despite continuing declines in Germany (down 0.7%) and Netherlands (0.8%)

EU milk production for the 12 months to April was up by 0.2% compared to the same period last year, driven by higher volumes from Ireland, Poland and Sweden.

USA

4.6%↑

Change for May 2021 compared to May 2020

2.3%↑

Change for the 12 months to May 2021

US milk production increased by 4.6% in May, compared to the same period last year.

May production last year was affected by the pandemic as production restrictions were put in place by co-operatives. Nonetheless, May production this year continued to grow, driven by sharp expansions in herd sizes and milk per cow yield growth.

Milk production for the 12 months to May was 2.3% higher compared to the same period last year.

¹ New Zealand production is measured in litres.

² Excludes UK.



Increase in monthly exports observed across all regions

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

NEW ZEALAND

19.8%↑

Change for May 2021 compared to May 2020

3.6%↑

Change for the 12 months to May 2021

Total New Zealand dairy exports increased by 19.8%, or 52,355 MT, in May compared to the same period last year.

The increase was driven by stronger volumes of WMP, up 22%, and fluid milk products, up 55%, primarily to China. There were also increases in cheese to China and the Middle East, up 27%, and higher exports of casein to the US, China and the EU, up 185%.

Exports for the 12 months to May were up by 3.6%, or 123,890 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products and cheese but partially offset by declines in SMP and AMF.

AUSTRALIA

37.4%↑

Change for April 2021 compared to April 2020

10.2%↑

Change for the 12 months to April 2021

Australia dairy exports increased by 37.4%, or 23,684 MT, in April compared to the same period last year.

The large increase was primarily driven by higher volumes to China. Sustained strong demand was observed in May for fluid milk products, up 9,362 MT, SMP, up 7,057 MT, and cheese, up 4,463 MT.

Exports for the 12 months to April were up 10.2%, or 74,160 MT, on the previous comparable period.

This was predominantly driven by increases in fluid milk products, SMP and butter but partially offset by declines in infant formula.

EUROPEAN UNION

8.1%↑

Change for March 2021 compared to March 2021

3.5%↑

Change for the 12 months to March 2021

EU dairy exports increased by 8.1%, or 49,746 MT, in March compared to the same period last year.

March saw increased exports of fluid milk products, and SMP shipped to China and cheese to Japan, but this was partially offset by lower demand for infant formula from China.

Exports for the 12 months to March were up 3.5%, or 247,576 MT, on the previous comparable period. Fluid milk products, whey, cheese and lactose were the main drivers of this growth, up a combined 357,323 MT. It was partially offset by declines in SMP, MPC and MPI and infant formula.

USA

25.7%↑

Change for April 2021 compared to April 2020

12.1%↑

Change for the 12 months to April 2021

US dairy exports continued to increase, up 25.7%, or 52,542 MT, in April compared to the same period last year.

Shipments of SMP and whey to China continued to strengthen in April, up a combined 24,058 MT. Cheese export volumes increased by 13,612 MT, or 50%, the highest level on record, primarily to Mexico and South Korea.

Exports for the 12 months to April 2021 were up 12.1%, or 282,685 MT, on the previous comparable period, driven by SMP, whey, WPC and cheese, up a combined 275,305 MT.



China monthly imports continue to grow. Latin America, Middle East and Africa and Asia monthly imports increase

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

LATIN AMERICA

19.3%↑

Change for March 2021 compared to March 2020

3.2%↑

Change for the 12 months to March 2021

Latin America dairy import volumes¹ increased 19.3%, or 25,806 MT, in March compared to the same period the last year.

The increase was driven by stronger volumes of fluid milk products to Peru, cheese to Mexico and Chile, and WMP to Brazil, up a combined 40,243 MT. This was partially offset by lower volumes of SMP to Mexico.

Imports for the 12 months to March were up 3.2%, or 56,277 MT, compared to the same period the last year.

ASIA

8.8%↑

Change for March 2021 compared to March 2020

0.5%↓

Change for the 12 months to March 2021

Asia (excluding China) dairy import volumes¹ increased 8.8%, or 36,150 MT, in March compared to the same period the last year.

The increase was driven by higher volumes of SMP and fluid milk products to the Philippines, lactose to Japan and cheese to Korea, up a combined 30,121 MT.

Imports for the 12 months to March were down 0.5%, or 22,415 MT, compared to the same period the last year.

Declines were recorded across WMP and whey and offset partially by increased volumes in lactose, cheese and SMP.

MIDDLE EAST & AFRICA

3.2%↑

Change for March 2021 compared to March 2020

0.7%↑

Change for the 12 months to March 2021

Middle East and Africa dairy import volumes¹ increased 3.2%, or 9,826 MT, in March compared to the same period the last year.

The increase was driven predominantly by higher volumes of fluid milk products to Libya, infant formula to Nigeria and cheese to Bahrain.

Imports for the 12 months to March were up 0.7%, or 28,041 MT, compared to March last year, driven by increases in WMP, SMP and infant formula, and partially offset by declines in fluid milk products and butter.

CHINA

1.3%↑

Change for May 2021 compared to May 2020

21.5%↑

Change for the 12 months to May 2021

China dairy import volumes increased by 1.3%, or 3,345 MT, in May compared to the same period last year.

Volumes increased across most product categories. SMP and WMP imports hit record levels for the month of May, sourced primarily from New Zealand and Australia. Fluid milk product imports continued to increase from Germany, New Zealand and Poland, and whey imports remained strong, from the US, France and Belarus.

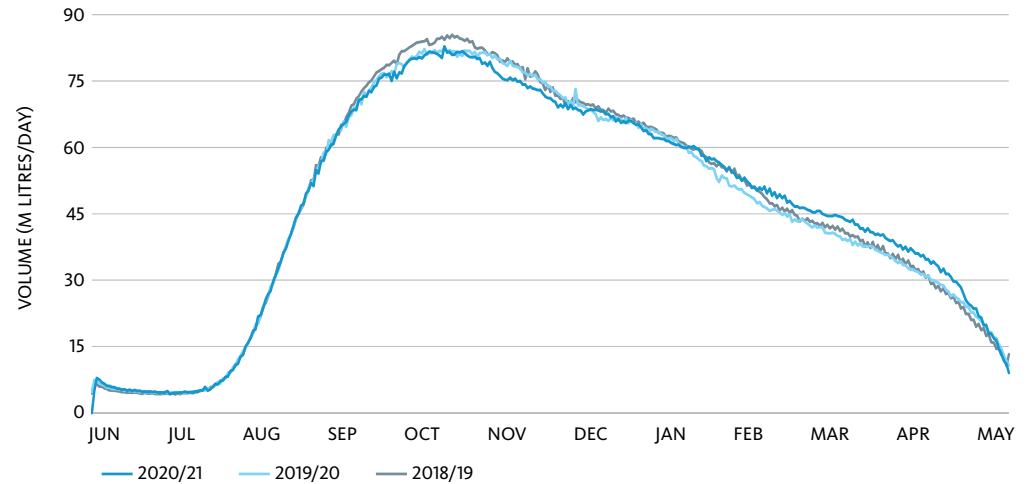
Imports for the 12 months to May were up 21.5%, or 684,569 MT, driven by fluid milk products, whey, SMP and WMP.

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

7.7%↑

Change for May 2021 compared to May 2020

1.5%↑

For the 2020/21 Season compared to the previous season

Fonterra's New Zealand collection for May was 75.3 million kgMS, 7.7% higher than May last season.

Collection for the 2020/21 season was 1,539.2 million kgMS, 1.5% ahead of last season.

May started with settled weather across the country before rain arrived for western areas towards the middle of the month. Warmer and drier conditions returned in the second half of the month, with already dry regions of both islands missing out on meaningful rainfall. Temperatures were above May average across the country, and sunshine hours higher than average for most regions.

NORTH ISLAND

28.6%↑

Change for May 2021 compared to May 2020

3.9%↑

For the 2020/21 Season compared to the previous season

North Island milk collection in May was 38.6 million kgMS, 28.6% higher than May last season.

May collections continued the strength seen in April, benefiting from warm and sunny weather with useful rainfall in many areas giving favourable growing conditions.

Full season collection was 908.3 million kgMS, 3.9% ahead of last season.

SOUTH ISLAND

8.0%↓

Change for May 2021 compared to May 2020

1.8%↓

For the 2020/21 Season compared to the previous season

South Island milk collection in May was 36.7 million kgMS, behind 8.0% on May last season.

Collections for South Island began to drop off more quickly during the second half of May than in recent seasons. The heavy rain in the last weekend of the month caused flooding in some areas, with disruption to collections as a result.

Full season collection was 630.9 million kgMS, behind 1.8% on last season.

AUSTRALIA

0.2%↑

Change for May 2021 compared to May 2020

1.0%↓

Season to date 1 July to 31 May

Fonterra's Australia collection in May was 7.7 million kgMS, a 0.2% increase on May last season.

Favourable autumn conditions across Victoria and Tasmania has meant stable milk production in May.

Season-to-date collection was 1.0% down on last season, with favourable on-farm conditions throughout the season stabilising milk production.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at
last trading event

15 June 2021:

1.4%↓

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

USD 4,140

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

20.7⁰⁰⁰' MT

Fonterra product quantity
sold on GDT

AMF

0.6%↑

USD 5,687/MT

CHEDDAR

0.1%↑

USD 4,328/MT

SMP

1.6%↓

USD 3,389/MT

WMP

1.6%↓

USD 3,997/MT

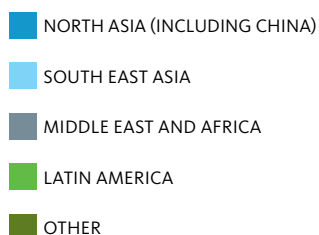
BUTTER

1.7%↓

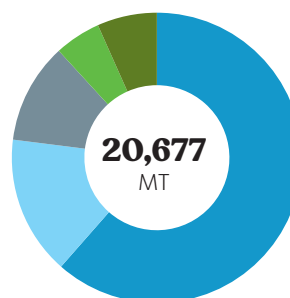
USD 4,612/MT

Fonterra GDT sales
by destination:

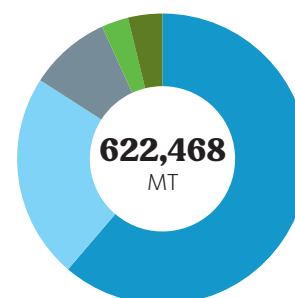
To view more information,
including a snapshot of the
rolling year-to-date results –



LATEST AUCTION



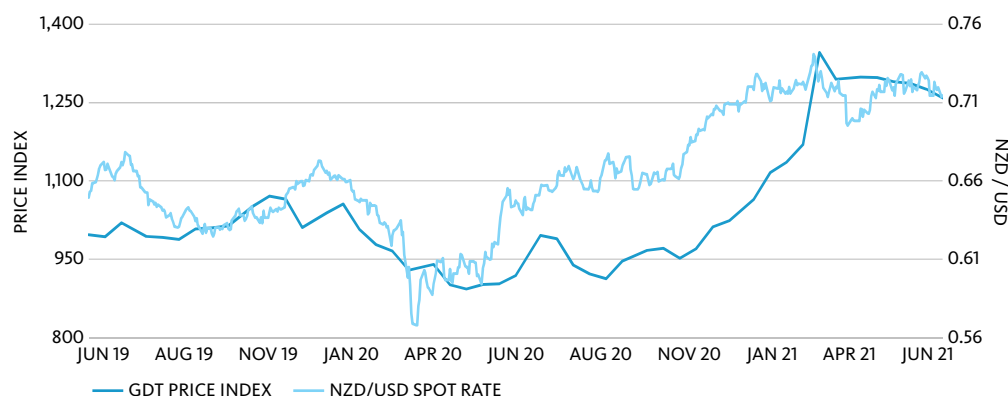
**FINANCIAL
YEAR-TO-DATE**



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

Dairy commodity prices and New Zealand dollar trend

The exchange rate stabilised around 71 US cents - balanced between New Zealand's strong economic performance in recent months which supported the NZD; while inflationary pressures in the United States have increased the risk of US interest rates rising faster which supported the USD's value.



Our Performance



Clean sweep at New Zealand Dairy Industry Awards

Fonterra Responsible Dairying Award

The prestigious award was introduced by the New Zealand Dairy Industry Awards and Fonterra to recognise dairy farmers who demonstrate leadership in their approach to sustainability.



Waikato farmers Pete Morgan and Ann Bouma were this year's winners, receiving the John Wilson Memorial Trophy. Fonterra CEO Miles Hurrell presented the award and says Pete and Ann are excellent ambassadors for our industry.

"Pete, Ann and the other finalists are driving positive change in our industry and are great role models, producing milk that is backed by the quality and sustainability credentials that customers now expect and need. People want to know that their milk is coming from farmers that care for the environment, animals, people and communities."

Fonterra farmers once again impressed at the New Zealand Dairy Industry Awards, winning all four 2021 main titles, plus an NZDIA Lifetime Achievement Award.

The winners were:

- Fonterra Responsible Dairying Award – Pete Morgan and Ann Bouma
- NZ Share Farmer of the Year – Manoj Kumar and Sumit Kamboj
- NZ Dairy Manager of the Year – Christopher Vila
- NZ Dairy Trainee of the Year – Ruth Connolly
- NZDIA Lifetime Contribution Award – Jeff Bolstad.

Share Farmer of the Year

Manoj Kumar and Sumit Kamboj are driven, professional and high-achieving siblings who benchmark excellence within the industry.



"The New Zealand dairy farming system is totally different from back home in India and it really appeals to us," they say. "It's very rewarding as we can see the improvements we make on-farm and there is a culture unlike any other industry."

Dairy Manager of the Year

Christopher Vila was a veterinarian in the Philippines before he moved to New Zealand 13 years



ago and began a career in dairying as a farm assistant. The judges describe Christopher as a humble, competent and passionate dairy farmer who sets high standards for himself and staff.

"He's completely engaged in his role but also understands the importance of getting off-farm and spending time with his wife and young daughter."

Dairy Trainee of the Year

Ruth Connolly was applauded by judges who said she was a polished, articulate, considered, with a broad understanding of different industry issues.



"Ruth is constantly pushing for perfection. She has a huge love and respect for the cows, the land and the people. She has an insatiable thirst for knowledge which, coupled with specific and high-reaching goals, will stand her in good stead."

NZDIA Lifetime Achievement Award

Jeff Bolstad, a Morrinsville farmer, was recognised for his long service and contribution to the Dairy Industry Awards and wider agriculture sector.



NZDIA Trust Chair Natasha Tere says this is the first time this award has been presented.

"It's a prestigious honour that is awarded to an individual that has provided exceptional service to the New Zealand Dairy Industry Awards. We have chosen Jeff as he has been a bonding strength behind our organisation. Jeff has a pure love and passion for aspiring dairy farmers and has been a guiding light, a father figure and confidante to many while on their Awards journey."

For more on the New Zealand Dairy Industry Awards –

A milk tanker with a difference

Tens of thousands of farmers and members of the public have been the first to experience a brand new addition to Fonterra's milk tanker fleet at Fieldays in Waikato – an interactive showcase of what makes the Co-op Good Together.

The tanker experience allows visitors to share their own memories of Fonterra in the video booth, play a 'Milk Mayhem' game and even give tanker driving a go on our realistic simulator.

"It's Fonterra's 20th birthday this year and a good chance to reflect on all the amazing work that we've done together. We believe the experience we've created celebrates being Good Together while having a bit of fun!" says Andrea Perez, General Manager Co-operative Experience.

It's exciting to be back at Fieldays after the annual event at Mystery Creek was cancelled in 2020 because of COVID – the first time since the agricultural showcase started over half a century ago.

Multiple teams from within our Co-op have worked tirelessly over the past few months to bring the Fonterra Good Together tanker experience to life. Everyone agrees that the highlight of the project so far has been the collaboration.

"It's been awesome to have teams from very different parts of the business come together to achieve such a fantastic result. We had people from all across National



Transport - fleet, dispatch, transport depots, third party vendors – working alongside Co-op Experience and it's been such a positive experience," Tanker Planning & Dispatch Manager, Malcolm Bailey says.

While our farmers and other Fieldays attendees got the first peek, there will be plenty of opportunities for more people to see and experience the interactive tanker throughout New Zealand. It will be going on a year-long roadie from the top of the North, to the bottom of the South Island, visiting Fonterra sites and other locations as it goes.

Fieldays

As the Southern Hemisphere's largest agricultural event, Fieldays has always been a highlight of the agricultural calendar. There are over 1,000 exhibitors, 130,000 visitors and a global audience reach of over 23 million people.

The event generates around NZ\$500 million of sales and revenue for New Zealand firms.



The experience is highly interactive with stories, games and even a tanker simulator.

A top of North Island to bottom of South Island roadshow



Locations:

- Farm Source Stores
- Farmer Events
- Manufacturing Sites
- Distribution Centres
- Field Days
- Public Spaces
- Fonterra Farms

Supplementary Information

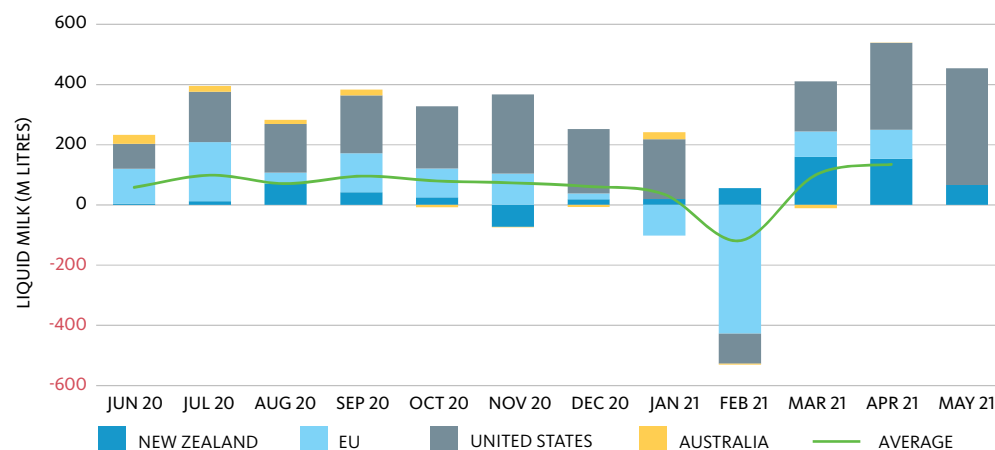
Global Dairy Market

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.

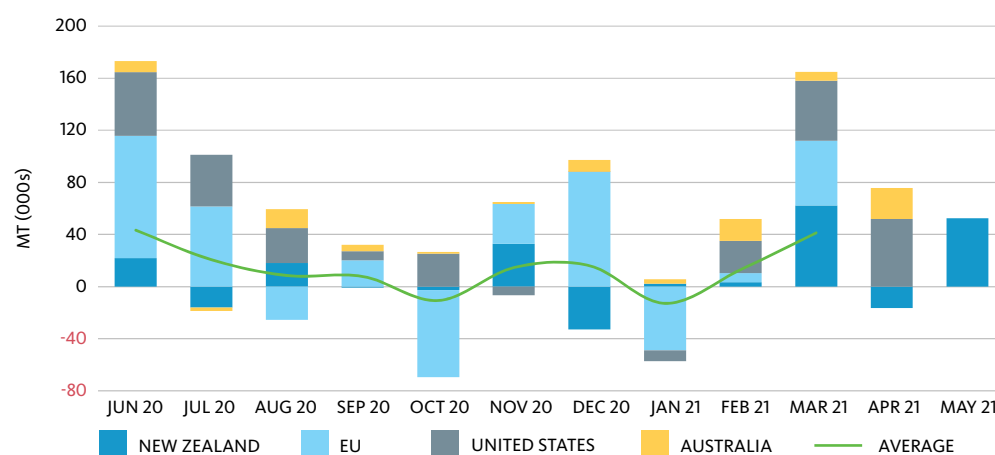
Averages are shown where data is complete for the regions presented.

PRODUCTION



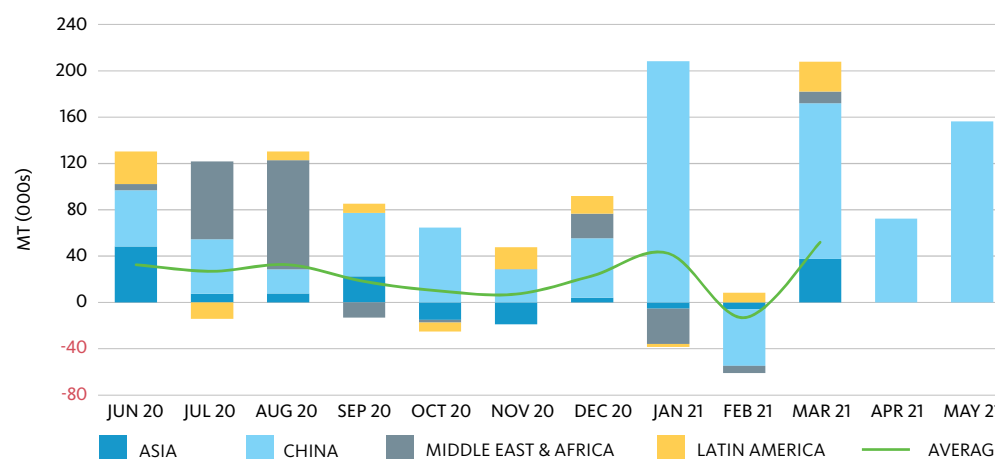
NOTE: Data for EU and Australia to April; New Zealand and US to May.

EXPORTS



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

IMPORTS



NOTE: Data for Asia, Middle East & Africa and Latin America to March; 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)	MAY 2021	MAY 2020	MONTHLY CHANGE	SEASON- TO-DATE 2020/21	SEASON- TO-DATE 2019/20	SEASON- TO-DATE CHANGE
Total Fonterra New Zealand	75.3	69.9	7.7%	1,539.2	1,517.1	1.5%
North Island	38.6	30.0	28.6%	908.3	874.6	3.9%
South Island	36.7	39.9	(8.0%)	630.9	642.5	(1.8%)
Australia	7.7	7.7	0.2%	99.9	100.9	(1.0%)

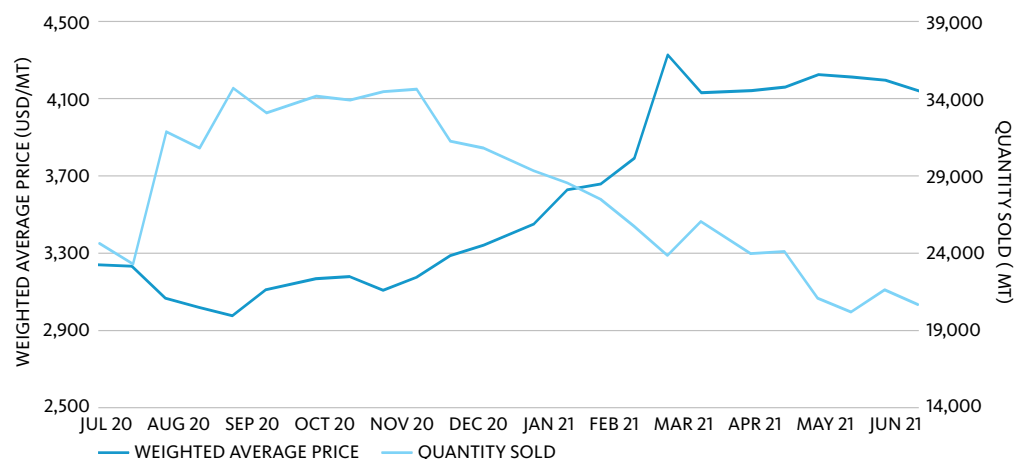
Fonterra GDT results

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

	LAST TRADING EVENT (15 JUNE 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2020)
Quantity Sold on GDT (Winning MT)	20,677	622,468
Change in Quantity Sold on GDT over same period last year	0.0%	(2.8%)
Weighted Average Product Price (USD/MT)	4,140	3,535
Change in Weighted Average Product Price over same period last year	37.6%	8.1%
Change in Weighted Average Product Price from previous event	(1.4%)	–

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