SEPTEMBER 2021

Global Dairy UPDATE

Our Markets

- Milk volumes down in New Zealand and Australia. EU monthly production shows decline. US monthly production up.

- New Zealand and EU monthly exports decline. Australia and US monthly exports continue to grow.

- China, Middle East and Africa and Latin America imports increase. Asia monthly imports decline.

- Fonterra New Zealand milk collection in August was 96.7 million kgMS, down 4.0% on the prior season.
- Fonterra Australia milk collection for August was 6.8 million kgMS, down 5.9% on last season.

Our Performance

- Record shipment year for Fonterra despite supply chain challenges.
- On 23 September, Fonterra announced its Annual Results, provided Long-term Strategy and a new Capital Structure proposal.

For further details, view our website – CLICK HERE

Our Co-op

- Cleaning water with nature.

Key Dates

9 December 2021
Fonterra Co-operative Group Annual Meeting

13 December 2021
Fonterra Shareholders' Fund Annual Meeting

December 2021
FY22 Q1 Business Update

OUR MARKETS

Global Production

Milk volumes down in New Zealand and Australia. EU monthly production shows decline. US monthly production up

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

CLICK HERE

NEW ZEALAND

4.8% ↓
Change for August 2021 compared to August 2020

2.4% ↓
Change for the 12 months to August 2021

New Zealand milk production[1] decreased 4.8% on a litres basis, (down 4.2% on milk solids basis) in August compared to August last year.

Following a good start to the season, pasture conditions were impacted as a result of colder and wetter weather in August compared to a mild August last year.

New Zealand milk production for the 12 months to August was 2.4% lower than last year.

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

AUSTRALIA

3.5% ↓
Change for July 2021 compared to July 2020

0.2% ↑
Change for the 12 months to July 2021

Australia milk production decreased 3.5% in July compared to July last year.

Wetter and cooler than average winter conditions impacted total milk production. Tasmania and Victoria productions were down 6.5% and 4.5%, respectively.

Dairy Australia is forecasting milk production growth of 0% to +2% for the 2021/22 season.

Australia milk production for the 12 months to July was 0.2% higher than last year.

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

EUROPEAN UNION

0.3% ↓
Change for July 2021 compared to July 2020

0.2% ↑
Change for the 12 months to July 2021

EU milk production[2] decreased 0.3% in July compared to the same period last year.

Lower production volumes were observed across key producing countries such as France, Netherlands and Germany and were partially offset by higher volumes in Italy and Ireland.

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

USA

1.1% ↑
Change for August 2021 compared to August 2020

2.4% ↑
Change for the 12 months to August 2021

US milk production increased by 1.1% in August, compared to the same period last year.

Production growth slowed in August compared to prior months. Lower milk yield per cow and herd size contractions were observed due to higher feed costs. Sustained heat in some regions was also a contributor to the lower growth rate.

Milk production for the 12 months to August was 2.4% higher compared to the same period last year.

1 New Zealand production is measured in litres.

2 Excludes UK.

Global Exports

New Zealand and EU monthly exports decline. Australia and US monthly exports continue to grow

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

CLICK HERE

NEW ZEALAND

12.9% ↓
Change for August 2021 compared to August 2020

4.5% ↑
Change for the 12 months to August 2021

Total New Zealand dairy exports decreased by 12.9%, or 19,133 MT, in August compared to the same period last year.

The decrease was driven by lower shipment volumes of WMP and cheese to China in August compared to August last year. SMP export volumes to Southeast Asia continued to grow and partially offset the decrease.

Exports for the 12 months to August were up by 4.5%, or 153,458 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products and cheese.

AUSTRALIA

50.5% ↑
Change for July 2021 compared to July 2020

13.6% ↑
Change for the 12 months to July 2021

Australia dairy exports increased 50.5% (34% excluding fluid milk products), or 28,113 MT, in July compared to the same period last year.

Sustained high demand for fluid milk products is driving this increase as well as SMP and cheese to China. Higher demand for SMP from Kuwait and for cheese from Japan were also observed.

Exports for the 12 months to July were up 13.6%, or 98,252 MT, on the previous comparable period.

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

EUROPEAN UNION

2.8% ↓
Change for June 2021 compared to June 2020

0.6% ↑
Change for the 12 months to June 2021

EU dairy exports decreased 2.8%, or 18,710 MT, in June compared to the same period last year.

June exports saw lower demand for infant formula from China, cultured products, WMP from Oman and for butter from the US, down a combined 27,999 MT. This was partially offset by strong volumes of fluid milk products to China.

Exports for the 12 months to June were up 0.6%, or 46,911 MT, on the previous comparable period. Fluid milk products, whey, ice cream and cheese were the main drivers of this growth.

USA

7.4% ↑
Change for July 2021 compared to July 2020

8.8% ↑
Change for the 12 months to July 2021

US dairy exports increased 7.4%, or 16,324 MT, in July compared to the same period last year.

Strong demand for cheese from Mexico and Japan as well as whey and WPC from China are driving this increase. This was partially offset by lower SMP export volumes to the Philippines and Indonesia.

Exports for the 12 months to July 2021 were up 8.8%, or 216,340 MT, on the previous comparable period driven by whey, SMP, WPC and butter, up a combined 212,851 MT.

Global Imports

China, Middle East and Africa and Latin America imports increase. Asia monthly imports decline

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

CLICK HERE

LATIN AMERICA

8.8% ↑ Change for June 2021 compared to June 2020

5.0% ↑ Change for the 12 months to June 2021

Latin America dairy import volumes[1] increased 8.8%, or 14,433 MT, in June compared to the same period last year.

The increase was driven by stronger volumes of cheese as well as lactose and whey to Mexico. This was partially offset by a decrease of WMP to Chile and Cuba.

Imports for the 12 months to June were up 5.0%, or 86,819 MT, compared to the same period last year.

ASIA

2.8% ↓ Change for June 2021 compared to June 2020

0.3% ↓ Change for the 12 months to June 2021

Asia (excluding China) dairy import volumes[1] decreased 2.8%, or 12,237 MT, in June compared to the same period last year.

The decrease was driven by lower demand for SMP and lactose to Philippines and Indonesia but partially offset by increased demand for WMP and cheese.

Imports for the 12 months to June were down 0.3%, or 17,084 MT, compared to the same period last year driven by large volumes of WMP, and SMP, and partially offset by fluid milk products and lactose.

MIDDLE EAST & AFRICA

18.8% ↑ Change for June 2021 compared to June 2020

7.5% ↑ Change for the 12 months to June 2021

Middle East and Africa dairy import volumes[1] increased 18.8%, or 60,595 MT, in June compared to the same period last year.

The increase was driven predominantly by higher imports of fluid milk products by the United Arab Emirates and of cheese by Saudi Arabia and Iraq.

Imports for the 12 months to June were up 7.5%, or 274,701 MT, compared to June last year driven by increases in infant formula, fluid milk products, cheese and ice cream.

CHINA

27.2% ↑ Change for August 2021 compared to August 2020

27.0% ↑ Change for the 12 months to August 2021

China dairy import volumes continued to increase by 27.2%, or 77,218 MT, in August compared to the same period last year, with sustained high demand across most categories. Import volumes of WMP continued to show record levels in August, primarily from New Zealand. Fluid milk products import volumes from Germany also showed strong year-on-year growth. This was partially offset by a continuing decline in infant formula year-on-year. Imports for the 12 months to August were up 27.0% driven by fluid milk products, whey, WMP and SMP and offset by decreases in infant formula.

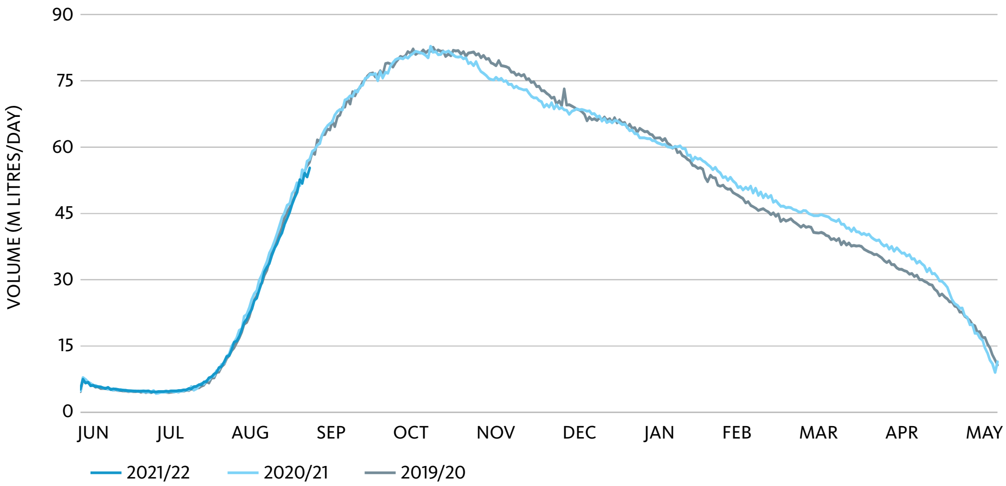
1 Estimates are included for those countries that have not reported data.

Fonterra Milk Collections

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

4.0% ↓
Change for August 2021 compared to August 2020

2.8% ↓
Season-to-date 1 June to 31 August

Fonterra's New Zealand collection for August was 96.7 million kgMS, 4.0% lower than the same month last season.

Season-to-date collection was 130.9 million kgMS, 2.8% behind last season.

New Zealand experienced strong westerlies during August, bringing heavy rain and cold temperatures, with snow in some regions. This was starkly different to August last season, where New Zealand recorded its warmest winter on record. As a result, both North and South Island collections for August were down on last season.

NORTH ISLAND

2.3% ↓
Change for August 2021 compared to August 2020

0.1% ↑
Season-to-date 1 June to 31 August

North Island milk collection in August was 71.8 million kgMS, 2.3% lower than August last season.

Season-to-date collection was 101.7 million kgMS, 0.1% ahead of last season.

Central North Island regions saw some heavy rain and damaging winds early in the month, and some areas around Auckland received heavy rain causing flooding at the end of the month. Overall, however, North Island rainfall was near normal for August.

SOUTH ISLAND

8.7% ↓
Change for August 2021 compared to August 2020

11.7% ↓
Season-to-date 1 June to 31 August

South Island milk collection in August was 24.9 million kgMS, 8.7% lower than August last season.

Season-to-date collection was 29.2 million kgMS, 11.7% behind last season.

Western areas recorded well above average rainfall for August with multiple fronts from Fiordland to Farewell Spit. The rest of the South Island experienced more typical August weather than last year, with cold snaps and periods of heavy rain impacting milk production.

AUSTRALIA

5.9% ↓
Change for August 2021 compared to August 2020

0.8% ↓
Season-to-date 1 July to 31 August

Fonterra's Australia collection for August, the second month of the new season, was 6.8 million kgMS, a 5.9% decrease on August last season.

The decrease was driven by a lower third-party collections (down -66%) compared to August last season. Farm milk collections increased by 2% year-on-year.

Season-to-date collections reached 12.2 million kgMS, 0.8% behind last season.

OUR MARKETS

Fonterra Global Dairy Trade Results

Fonterra GDT results at last trading event **21 September 2021:**

2.0% ↑
Change in Fonterra's weighted average product price from previous event

USD 4,056
Fonterra's weighted average product price (USD/MT)

23.7 000' MT
Fonterra product quantity sold on GDT

WMP
2.3% ↑
USD 3,777/MT

SMP
0.6% ↑
USD 3,312/MT

AMF
0.1% ↓
USD 5,962/MT

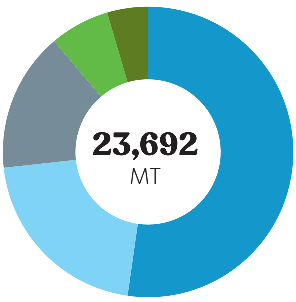
CHEDDAR
1.2% ↓
USD 4,274/MT

BUTTER
1.8% ↓
USD 4,857/MT

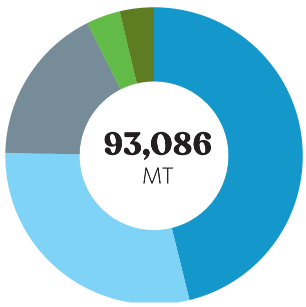
Fonterra GDT sales **by destination**:

- NORTH ASIA (INCLUDING CHINA)
- SOUTH EAST ASIA
- MIDDLE EAST AND AFRICA
- LATIN AMERICA
- OTHER

LATEST AUCTION



FINANCIAL YEAR-TO-DATE



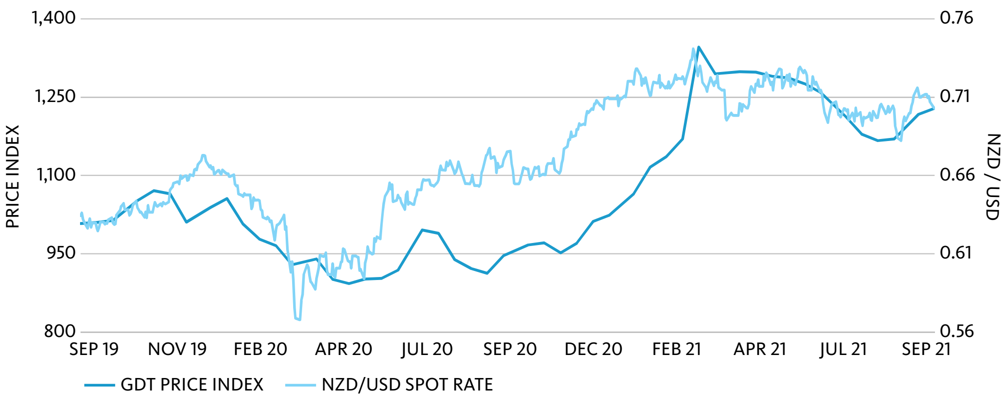
To view more information, including a snapshot of the rolling year-to-date results –

CLICK HERE ▶

▶ The next trading event will be held on 5 October 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD peaked in early September as the recent COVID-19 outbreak receded and RBNZ rhetoric suggested an OCR increase was likely in October. However, risk aversion in global financial markets later increased and this saw the NZD decline back to 70 US cents as the USD strengthened.



Our Performance

Record shipment year for Fonterra despite supply chain challenges

In a year of supply chain challenges and strong demand for dairy, a massive team effort and the power of partnership have helped Fonterra ship more product than in any other year. The Co-op shipped a total of 2.59 million metric tonnes, an increase of more than 4% year-on-year for the year ending 31 July.

Fonterra COO Fraser Whineray says that, Kotahi, a joint partnership between the Co-operative and Silver Fern Farms, has been the key to this year's result. "But it's not just Fonterra that's seen benefits from this. Through the scale that Kotahi brings with its strategic partnership with Maersk, many other Kiwi companies have been able to get their product off our shores. "I hear New Zealand Wool Services has also had a good year with their export volumes of containers up on the previous 12 months. I know there have been some challenges this year but there are also some great Kiwi success stories out there."

Jason Stewart, Shipping Manager at New Zealand Wool Services echoes this and says there have been challenges, but the partnership has paid dividends. "We have been in a position to keep our product moving through the long-term partnership we've had with Kotahi which has given New Zealand Wool Services a level of competitive advantage that others in the market don't have."

The supply chain has faced a raft of challenges this year including shipping schedule integrity plunging from a long-term average of 80% to below 35% in the year. "If that wasn't bad enough, there were temporary port closures and restrictions as well as container shortages", says Gordon Carlyle, Fonterra Director of Global Supply Chain. Gordon says the critical event team played an important part in applying some creative thinking to finding solutions to some big challenges.

"They worked tirelessly to co-ordinate our response across about 800 people – mostly our supply chain people and 100 in Kotahi and Coda, our supply chain partners."

Reworks or re-planning of the end-to-end chain was required due to changes in vessel arrivals, jumped by 350% in 2021 from the year before.

"Being able to achieve this result whilst knowing that we have also reduced our supply chain cost by 20% since 2015 in real terms is extremely satisfying," says Gordon. "The resilience of our supply chain has been a real differentiator with customers this year and we couldn't have achieved this without Kotahi."

Kotahi CEO David Ross warns it'll still be hard graft for some time to come. "We continue to see operational bottlenecks from port congestion, vessel delays and port omissions which means we aren't receiving shipping capacity and containers in the time period that exporters require, making it a challenge to get products to export markets."

"We now are working closely with our customers and partners to build stability into the ocean freight network, as we prepare for a challenging new season ahead," he says.

Established by Fonterra and Silver Fern Farms about 10 years ago, Kotahi works with exporters, importers and industry partners to create a sustainable, more efficient supply chain.

Cleaning water with nature

Our Maungaturoto site has been using nature to reduce its water usage by up to 25%.

In a first of its kind for Fonterra, evaporator condensate (water extracted from milk) is redirected through a natural wetland before being further treated and re-used at the site.

Maungaturoto is one of six water constrained sites across the country that are working to reduce water use by 30% by 2030.

By recycling up to 700,000 litres of water a day through the wetland the site has been able to to reduce its reliance on Kaipara District Council supply – giving the community more security of water supply.

Water is a precious taonga (treasure) and it's important we look after it for the good of everyone. Recent drought and infrastructure failures impacting water supply to the site mean it's more important than ever that we do what we can to limit our impact.

Maungaturoto Environmental Manager, Stuart Glen says he could see the circular way to clean water from site as the only way to do it.

"I started with the Co-op a little over two years ago, and the idea for cleaning site water by using the wetland as a natural bioreactor had been looked at but faced a few challenges."

"It has required thinking outside of the box and a multi-faceted approach to overcome these challenges including maintaining the wetland's ecosystem, ensuring food safety quality, and not interrupting the sites efficiency to operate," says Stuart.

Fonterra has worked closely with Kaipara District Council on integration with their water supply and has support from Northland Regional Council and Te Uri o Hau (local iwi) for the initiative.

"The reclaimed water is treated using the natural wetland and our water treatment plant before it is reused throughout the site, including for drinking water."

"We've taken a holistic, circular and nature-based approach to look at how we could work in partnership with nature. By providing the right amount of nutrients for the native plants and habitat to thrive promotes greater biodiversity within the wetland," says Stuart.

This initiative is a model that could be implemented at some of our other manufacturing sites across New Zealand, and also around the world.

This water saving initiative is also a finalist in this year's Sustainable Business Awards.

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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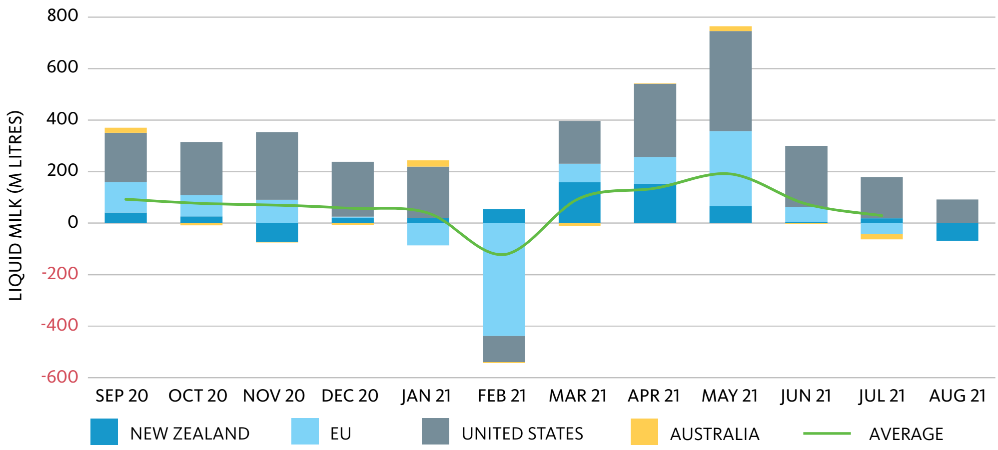
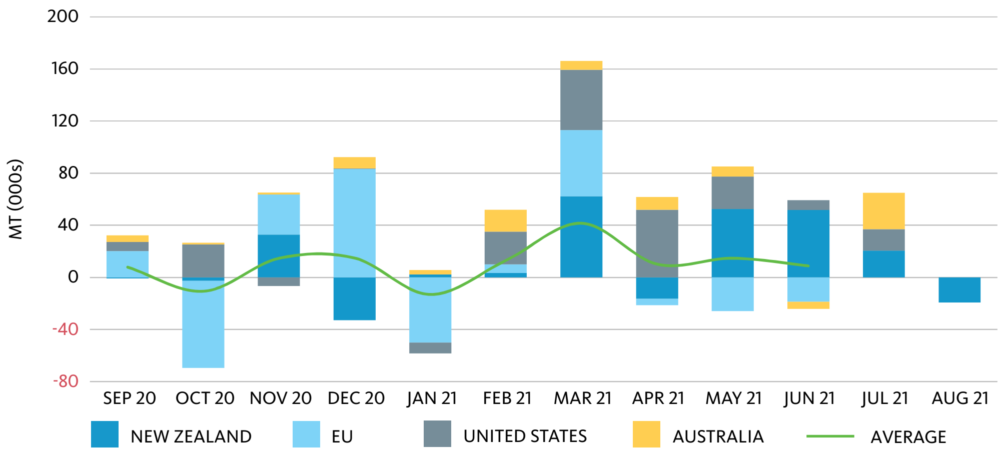
PRODUCTION



NOTE: Data for EU and Australia to July; New Zealand and US to August.

EXPORTS



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

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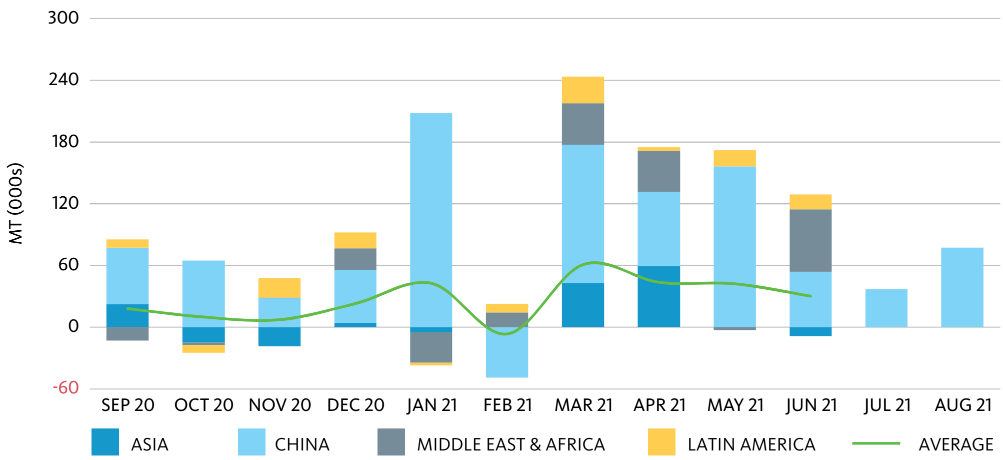
IMPORTS



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

SOURCES: Government milk production statistics (DCANZ, Dairy Australia, Eurostat, USDA)/GTA 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)	AUGUST 2021	AUGUST 2020	MONTHLY CHANGE	SEASON-TO-DATE 2021/22	SEASON-TO-DATE 2020/21	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	96.7	100.7	(4.0%)	130.9	134.6	(2.8%)
North Island	71.8	73.5	(2.3%)	101.7	101.6	0.1%
South Island	24.9	27.2	(8.7%)	29.2	33.0	(11.7%)
Australia	6.8	7.3	(5.9%)	12.2	12.3	(0.8%)

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 SEPTEMBER 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	23,692	93,086
Change in Quantity Sold on GDT over same period last year	(28.4%)	(28.6%)
Weighted Average Product Price (USD/MT)	4,056	3,937
Change in Weighted Average Product Price over same period last year	30.4%	29.4%
Change in Weighted Average Product Price from previous event	2.0%	–

Fonterra GDT results

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

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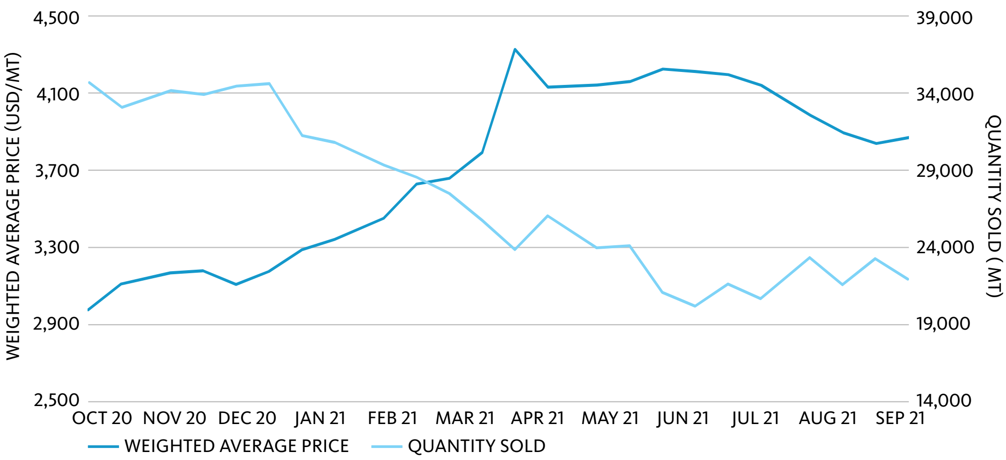

Glossary

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.