



FEBRUARY 2022

Global Dairy UPDATE



- Monthly production decline observed across all regions.

- Fonterra, NZX and EEX enter GDT partnership for future growth.



- Australia and New Zealand exports up. US and EU monthly exports decline.



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



- Carbon Zero Simply Milk range expands.



- Fonterra New Zealand milk collection for January was 158.1 million kgMS, down 6.1% on January the prior season.
- Fonterra Australia milk collection for January was 9.3 million kgMS, down 4.2% on January last season.

Key Dates



17 March 2022
FY22 Interim Results Announcement

May 2022
FY22 Q3 Business Update



Monthly production decline observed across all regions

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

NEW ZEALAND

6.1% ↓

Change for January 2022 compared to January 2021

0.7% ↓

Change for the 12 months to January 2022

New Zealand milk production¹ decreased 6.1% on a litres basis, (down 6.1% on milk solids basis) in January compared to January the year prior.

Warm and very dry weather across most regions throughout January have impacted soil moisture and milk production.

New Zealand milk production for the 12 months to January was down 0.7% on the year prior.

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

AUSTRALIA

1.2% ↓

Change for December 2021 compared to December 2020

0.9% ↓

Change for the 12 months to December 2021

Australia milk production decreased 1.2% in December compared to December the year prior.

COVID-19 outbreaks and isolation requirements are impacting labour availability and supply chains on farm. Combined with early dry-offs, sustained cull rates and reduced milking interval, this is negatively impacting milk production.

Australia milk production for the 12 months to December was 0.9% lower than the year prior.

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

EUROPEAN UNION

0.8% ↓

Change for November 2021 compared to November 2020

0.1% ↓

Change for the 12 months to November 2021

EU milk production² decreased 0.8% in November compared to the same period the year prior.

Lower production volumes year-on-year were driven by Germany, France and Netherlands but partially offset by an increase in Italy's production.

EU milk production for the 12 months to November was down 0.1% compared to the same period the year prior, was also driven by declines in Germany, France and Netherlands and offset by increases in Italy and Ireland.

USA

1.6% ↓

Change for January 2022 compared to January 2021

1.0% ↑

Change for the 12 months to January 2022

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

Weaker production was observed for the third consecutive month. This was driven by continuing herd size contractions and lower milk per cow, and reflecting increasing input costs.

Milk production for the 12 months to January was 1.0% higher compared to the same period the year prior.

¹ New Zealand production is measured in litres.

² Excludes UK.



Australia and New Zealand monthly exports up. US and EU monthly exports decline

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

NEW ZEALAND

0.6%↑

Change for December 2021 compared to December 2020

4.0%↑

Change for the 12 months to December 2021

Total New Zealand dairy exports increased by 0.6%, or 2,229 MT, in December compared to the same period the year prior.

Shipments of fluid milk products, infant formula and WMP increased year-on-year, as well as MPC and WPC but were partially offset by lower shipments of SMP and cheese.

Exports for the 12 months to December were up by 4.0%, or 135,499 MT, on the previous comparable period. This was primarily driven by increases in WMP, fluid milk product and cheese but partially offset by declines in AMF and SMP.

AUSTRALIA

53.1%↑

Change for December 2021 compared to December 2020

18.8%↑

Change for the 12 months to December 2021

Australia dairy exports increased 53.1%, or 38,107 MT, in December compared to the same period the year prior.

The significant increase in December relative to the same month the prior year is driven by continued high demand from China for fluid milk products, up 24,627 MT, and an increase in SMP and cheese exports.

Exports for the 12 months to December were up 18.8%, or 141,673 MT, on the previous comparable period and reflect the significant increase on November and December.

This was predominantly driven by increases in fluid milk products, and also SMP and WMP.

EUROPEAN UNION

1.6%↓

Change for November 2021 compared to November 2020

0.2%↑

Change for the 12 months to November 2021

EU dairy exports decreased 1.6%, or 8,918 MT, in November compared to the same period the year prior.

Lower exports of cheese, SMP and cultured products, down a combined 22,336 MT, were partially offset by stronger demand for MPC and butter.

Exports for the 12 months to November were up 0.2%, or 15,617 MT, on the previous comparable period, driven by increases in fluid milk products and whey, and partially offset by declines in infant formula, cultured products, WMP and butter.

USA

2.7%↓

Change for December 2021 compared to December 2020

10.2%↑

Change for the 12 months to December 2021

US dairy exports decreased 2.7%, or 5,247 MT, in December compared to the same period the year prior and marks the end of a 10-month period of year-on-year gains.

Lower demand for WPC in China, whey in Vietnam and SMP in Indonesia were partially offset by an increase in cheese to Japan and lactose to China.

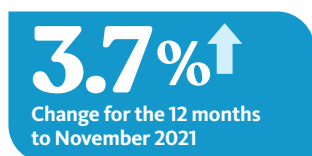
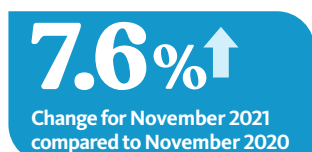
Exports for the 12 months to December were up 10.2%, or 255,605 MT, on the previous comparable period, driven by SMP, whey, cheese, fluid milk products and butter, up a combined 242,722 MT.



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

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

LATIN AMERICA

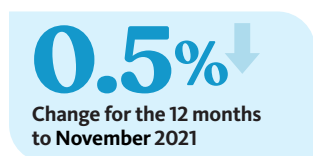
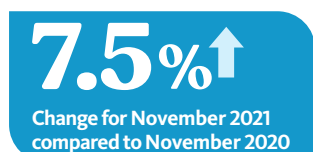


Latin America dairy import volumes¹ increased 7.6%, or 10,356 MT, in November compared to the same period the year prior.

The increase was driven by higher demand for cheese and whey to Mexico and SMP to Dominican Republic.

Imports for the 12 months to November were up 3.7% compared to the same period the year prior, driven by increases in cheese, SMP and fluid milk products and partially offset by declines in WMP.

ASIA

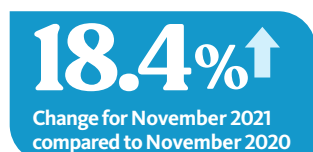


Asia (excluding China) dairy import volumes¹ increased 7.5%, or 29,498 MT, in November compared to the same period the year prior.

The increase was driven by higher demand for SMP and cultured products to Philippines, and whey to Vietnam.

Imports for the 12 months to November were down 0.5%, or 26,757 MT, compared to the same period the year prior, driven by lower volumes of WMP and SMP, and offset by an increase in whey and cheese.

MIDDLE EAST & AFRICA

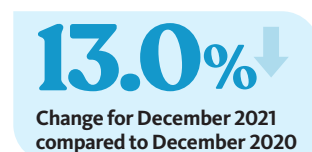


Middle East and Africa dairy import volumes¹ increased 18.4%, or 70,513 MT, in November compared to the same period the year prior.

The increase was predominantly driven by higher volumes of SMP to Algeria and Libya, fluid milk products and cheese to Iraq and Libya.

Imports for the 12 months to November were up 5.0%, or 249,509 MT, compared to November the year prior, driven by increases in cheese, fluid milk products, cultured products and ice cream.

CHINA



China dairy import volumes decreased by 13.0%, or 42,365 MT, in December compared to December 2020, which was a record month for China imports.

Declines were observed in WMP and SMP import volumes as supply is limited. Whey imports were also down as hog herds in China decline, decreasing the demand for whey as feed.

Imports for the 12 months to December were up 18.0%, or 630,474 MT, driven by fluid milk products, WMP, whey and SMP, partially offset by decreases in infant formula.

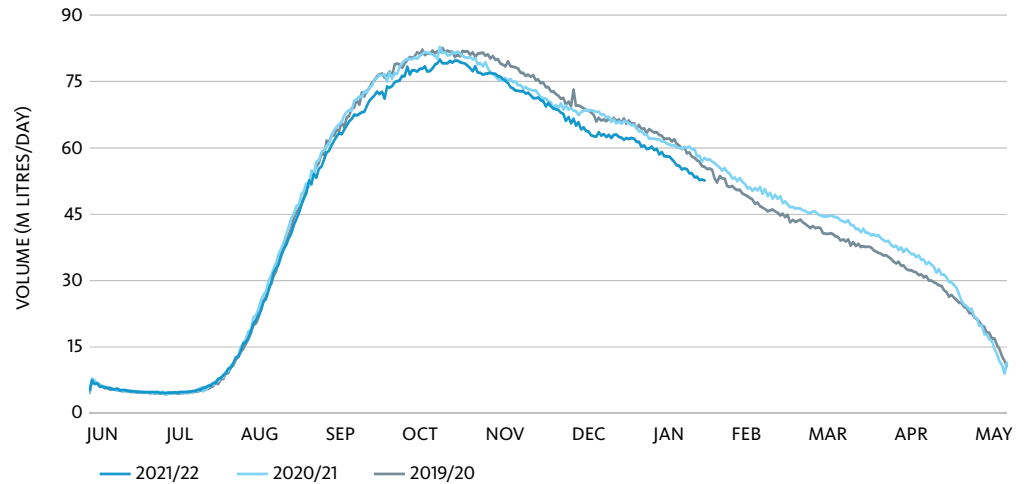
¹ Estimates are included for those countries that have not reported data.

Fonterra Milk Collections



To view a table that shows our detailed milk collection in New Zealand and Australia compared to the previous season –

New Zealand Milk Collection



NEW ZEALAND

6.1% ↓

Change for January 2022 compared to January 2021

3.6% ↓

Season-to-date 1 June to 31 January

Fonterra's New Zealand collections for January were 158.1 million kgMS, 6.1% lower than last January. Season-to-date collections were 1,032.6 million kgMS, 3.6% behind last season.

Hot, dry weather across most of the country for the month of January led to much lower milk collections compared to last season.

Outlook for Fonterra in New Zealand

NORTH ISLAND

9.5% ↓

Change for January 2022 compared to January 2021

4.1% ↓

Season-to-date 1 June to 31 January

North Island milk collections in January were 86.8 million kgMS, 9.5% lower than January last season. Season-to-date collections were 629.0 million kgMS, 4.1% behind last season.

North Island milk collections continued to decline. January had high temperatures and was very dry for the whole month, contributing to feed deficits and heat stress.

SOUTH ISLAND

1.4% ↓

Change for January 2022 compared to January 2021

2.8% ↓

Season-to-date 1 June to 31 January

South Island milk collections in January were 71.3 million kgMS, 1.4% lower than last January. Season-to-date collections were 402.7 million kgMS, 2.8% behind last season.

The South Island was less impacted than the North Island by the hot and dry weather, with rain giving some relief to feed supply. Otago and Southland were the only region where January milk collections were above last season.

AUSTRALIA

4.2% ↓

Change for January 2022 compared to January 2021

1.6% ↓

Season-to-date 1 July to 31 January

Fonterra's Australia collections for January were 9.3 million kgMS, a 4.2% decrease on January last season as third party volumes decreased and farm collections were flat year-on-year. Fonterra collections across Australia for the seven months for the season-to-date were 67.6 million kgMS, a 1.6% decline on last season.

Summer rainfall deficits across Western Victoria and Tasmania are impacting production with reduced pasture and summer crop being fed and which is being substituted by low quality silage harvested this spring.

NZD per kgMS **9.30-9.90**

Forecast Farmgate Milk Price for the 2021/22 season

1,480M kgMS

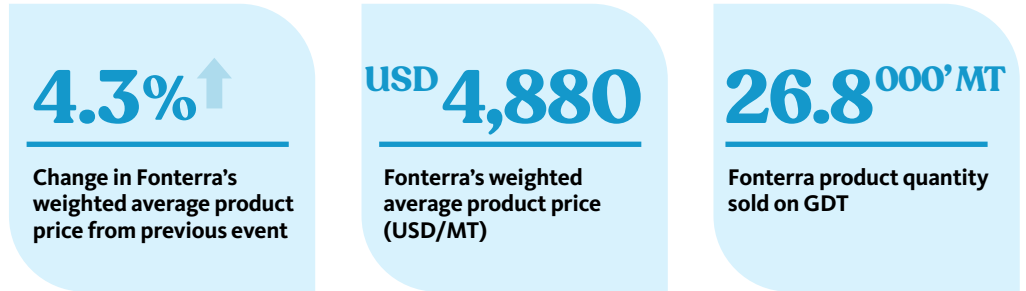
Forecast milk collection for the 2021/22 season

OUR MARKETS

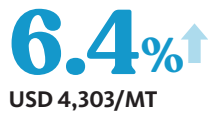
Fonterra Global Dairy Trade Results



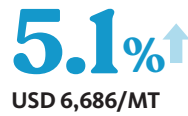
Fonterra GDT results at last trading event
15 February 2022:



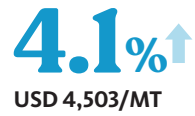
SMP



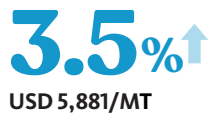
BUTTER



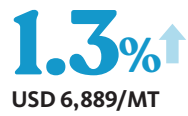
WMP



CHEDDAR

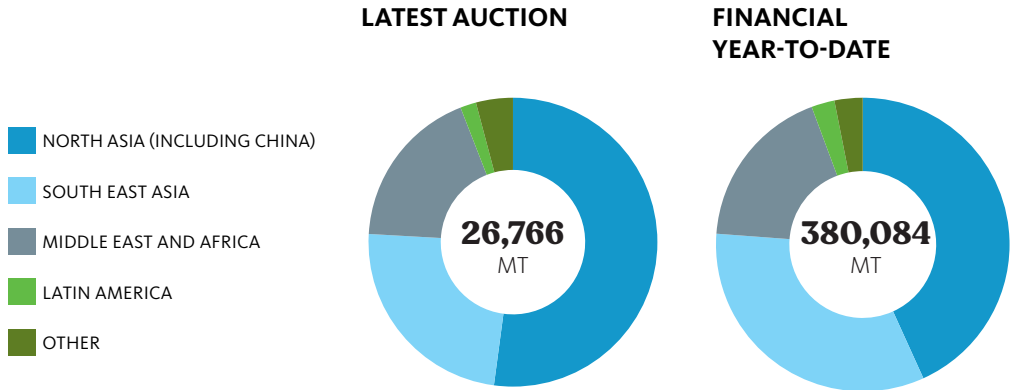


AMF



Fonterra GDT sales by destination:

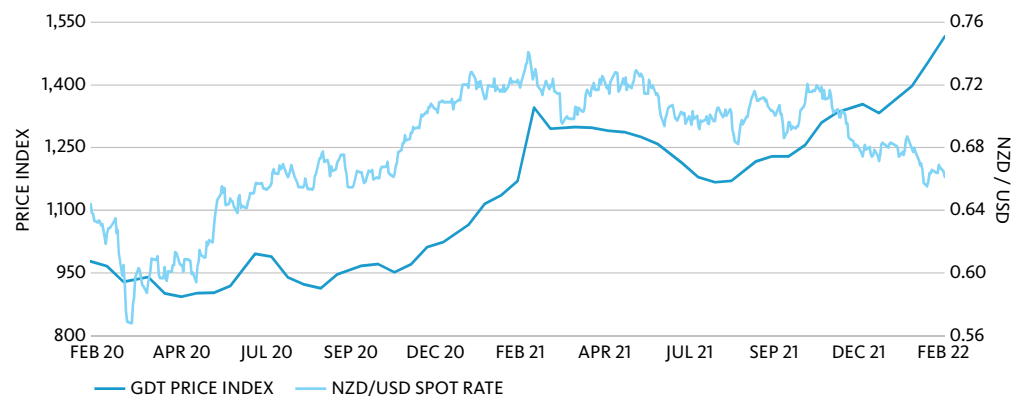
To view more information, including a snapshot of the rolling year-to-date results –



▶ The next trading event will be held on 1 March 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Strengthening inflation in the USA saw short-term interest rates surge higher and briefly shake the confidence of equity markets, and this resulted in increased investor demand for safe haven assets such as the USD. The NZD/USD exchange rate depreciated to below 66 US cents briefly before stabilising.



Our Performance



Fonterra, NZX and EEX enter GDT partnership for future growth



Fonterra has agreed a strategic partnership with New Zealand's Exchange (NZX) and the European Energy Exchange (EEX) to each take ownership stakes in Global Dairy Trade (GDT) alongside the Co-op.

Subject to the approval of Boards, clearance from European or any other relevant competition law authorities, and finalisation of transaction documentation, the partnership is expected to be completed mid-2022, with Fonterra, NZX and EEX each holding an equal one-third (33.33%) shareholding in the global dairy auction platform.

Fonterra Chief Executive Miles Hurrell says the move to a broader ownership structure marks the next step in the evolution of GDT – further enhancing the standing of GDT as an independent, neutral, and transparent price discovery platform, giving it a presence in prominent international dairy producing regions, and creating future growth opportunities.

“This is good news for our farmer owners, unit holders, and all dairy industry participants and is expected to lead to greater volumes being traded on GDT. It will bring more participants and transactions, stimulating further growth of risk management contracts available on financial trading platforms.

“We all know that dairy is one of the most volatile traded commodities,” he says. “This partnership is another step in helping to manage this risk for everyone – from the farmer through to the customer at the end of the supply chain. A more liquid dairy trading environment allows for the growth of financial tools which can be used by all participants to better manage price volatility.

“Our focus has been about securing the best partners, and NZX and EEX share our vision for a stronger, more liquid auction platform that benefits all involved. We are also closely aligned on future possibilities for GDT as the world's most trusted reference point for dairy commodity prices.”

NZX Chief Executive Mark Peterson says the price discovery that GDT provides the international dairy industry is crucial for dealing with volatility and its associated risks.

“We see the expansion of the physical trading environment as both further strengthening existing financial contracts and enabling the creation of new tools and opportunities for dairy processors and end-users to manage price volatility. These offer clear benefits for New Zealand dairy farmers and customers around the world,” he said.

EEX Chief Strategy Officer Dr Tobias Paulun says “becoming a shareholder of Global Dairy Trade is perfectly in line with the EEX strategy of taking asset classes which we already successfully serve to a global dimension. With our experience in operating Europe's leading trading platform for dairy futures, but also with multiple spot contracts in the energy space, we believe that we can be of value supporting GDT's growth vision.

“At the same time, we can create value for the global dairy value chain by further improving price discovery and price risk management instruments.”

GDT Director Dr Eric Hansen says “GDT is excited that the addition of NZX and EEX as shareholders alongside Fonterra will enable us to build on our success in establishing a global brand and expertise in price discovery to create more opportunities for our customers.

“The strong alignment of all three shareholding partners to GDT's purpose of credible price discovery will support initiatives to increase liquidity on GDT, attract new supply from prominent dairy producing regions, and will strengthen GDT's linkages to financial trading platforms.”



Carbonzero Simply Milk range expands

The range of carbonzero Simply Milk is expanding to include a 3-litre bottle size following the success of the inaugural 2-litre bottles.

Developed in a collaboration between Fonterra and another Kiwi New Zealand co-operative, Foodstuffs North Island, Simply Milk has been certified carbonzero by supporting native forest regeneration and renewable energy projects that offset our emissions.

Since the launch of the carbonzero Simply Milk brand, Fonterra and Foodstuffs have continued to make progress on climate change.

We are taking steps to achieve our sustainability targets including issuing greenhouse gas reports to farmer suppliers, announcing trials for Kowbucha to reduce methane emissions in cows and switching our Te Awamutu site from coal to biomass reducing emissions

by 10% in the past year.

Foodstuffs North Island are also doing their part and have pledged to reduce their greenhouse gas emissions by 30% below 2005 levels, by 2030, and to become carbon neutral by 2050.

Kiwis have been doing their bit too, and by choosing Simply Milk they've helped offset 4,223 tonnes of carbon. This is equivalent to the carbon captured by 10,000 planted native trees over 50 years.

Christofer Anderson, Head of Merchandise for Chilled Beverages Foodstuffs North Island says, "New Zealanders are increasingly more conscious of the impact of what they buy and consume on our planet, and we're seeing this trend translate to the choices we bring to our customers.

"New Zealanders are increasingly more conscious of the impact of what they

buy and consume on our planet, and we're seeing this trend translate to the choices we bring to our customers.

Since the introduction of Simply Milk back in 2020, over 2.2 million bottles have been sold, and because customers tend to buy the size of milk to suit their fridge, it was time to introduce a Simply Milk for 3L milk drinkers, who also want to make a simple swap that can make a big difference."

"Simply Milk is a great way for Kiwis to support action on climate change," says Rosie Cotter, National Sustainability Manager at Fonterra Brands New Zealand. "As New Zealand owned co-operatives, Foodstuffs and Fonterra are committed to delivering sustainable products for our customers that are better for the planet. Simply Milk helps us achieve this."



Supplementary Information

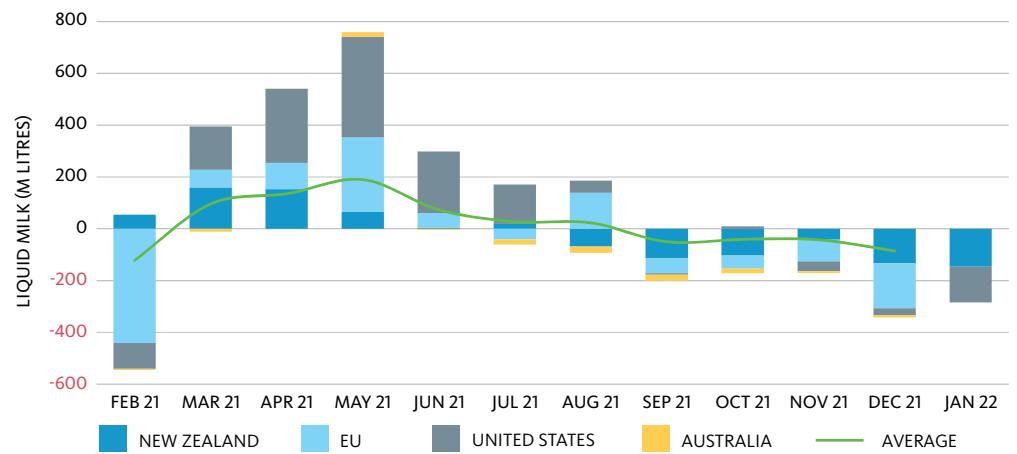
Global Dairy Market

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.

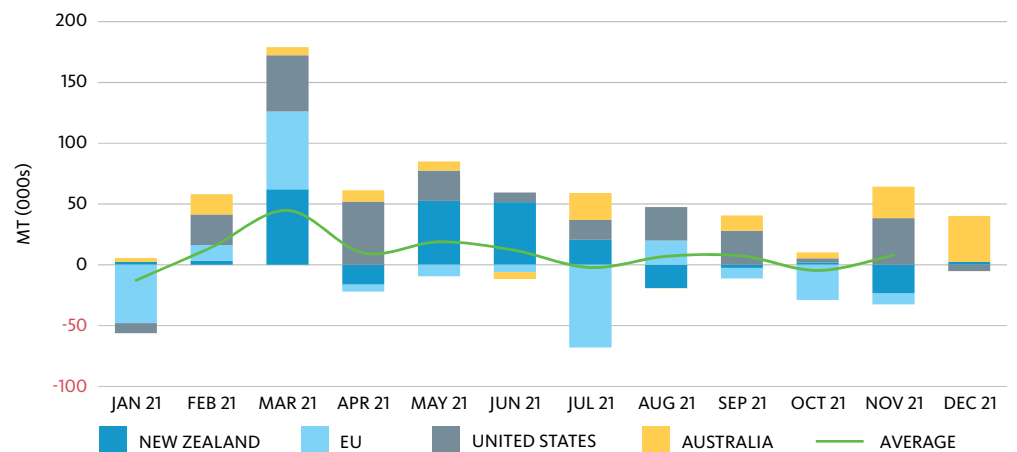
Averages are shown where data is complete for the regions presented.

PRODUCTION



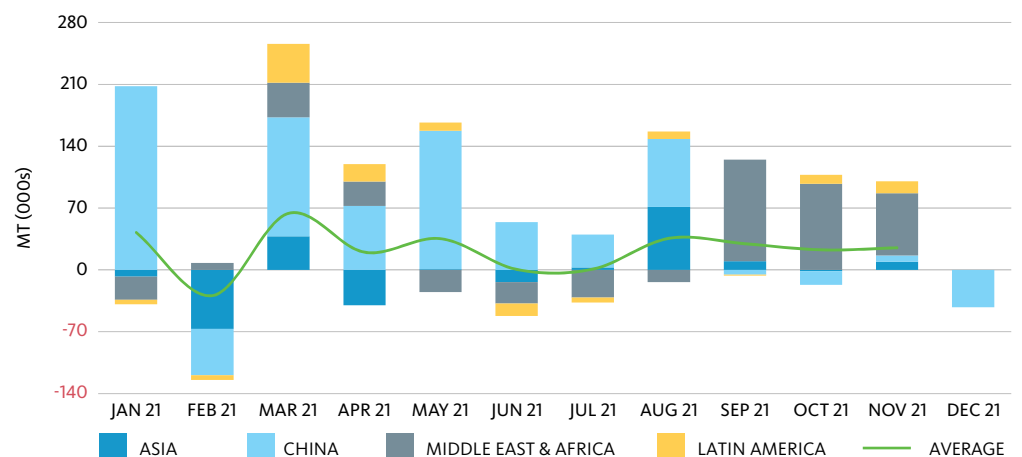
NOTE: Data for EU to November; Australia to December; New Zealand and US to January.

EXPORTS



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

IMPORTS



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

SOURCES: Government milk production statistics (DCANZ, Dairy Australia, Eurostat, USDA)/GTA 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)	JANUARY 2022	JANUARY 2021	MONTHLY CHANGE	SEASON-TO-DATE 2021/22	SEASON-TO-DATE 2020/21	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	158.1	168.2	(6.1%)	1,032.6	1,071.2	(3.6%)
North Island	86.8	96.0	(9.5%)	630.0	656.8	(4.1%)
South Island	71.3	72.3	(1.4%)	402.7	414.3	(2.8%)
Australia	9.3	9.7	(4.2%)	67.6	68.7	(1.6%)

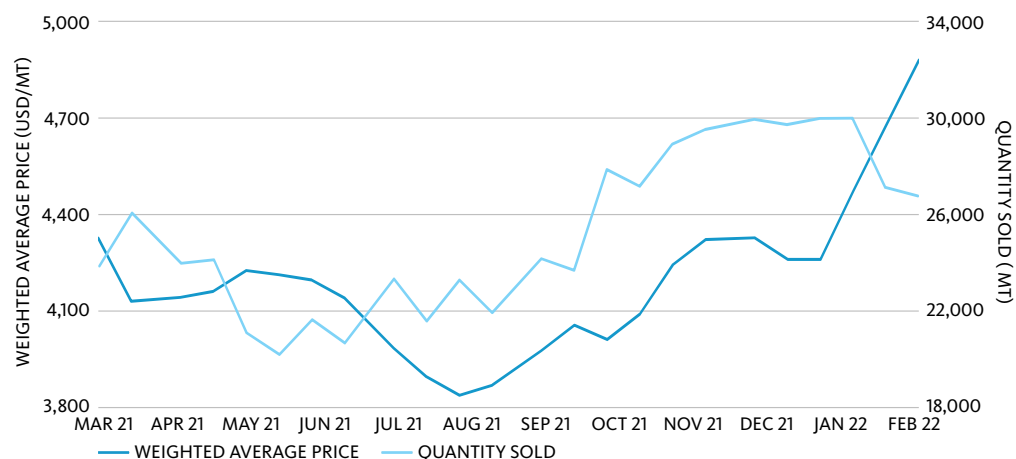
Fonterra GDT results

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

	LAST TRADING EVENT (15 FEBRUARY 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	26,766	380,084
Change in Quantity Sold on GDT over same period last year	3.9%	(13.8%)
Weighted Average Product Price (USD/MT)	4,880	4,250
Change in Weighted Average Product Price over same period last year	28.7%	30.2%
Change in Weighted Average Product Price from previous event	4.3%	-

Fonterra GDT results

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



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.

MPC

Milk Protein Concentrate.

Non-Reference Products

All dairy products, except for Reference Products, produced by the NZ Ingredients business.

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.