MAY 2022

Global Dairy UPDATE

Our Markets

- New Zealand, Australia and US monthly production continues to decline. EU monthly production increases.
- EU and New Zealand monthly exports decline, Australia and US exports continue to grow.
- Sharp decline in China monthly imports. Latin America monthly imports down. Middle East & Africa and Asia imports up.
- Fonterra New Zealand milk collections for April were 112.1 million kgMS, down 5.1% on April last season. At the end of April, season-to-date collections were 3.8% down on last season.
- Fonterra Australia collections for April were 7.9 million kgMS, a 2.0% decrease on April last season and down 1.2% for the season-to-date compared to the prior season.

Our Performance

- Third quarter business update.

For further details, view our website –

CLICK HERE ▶

- Grass-fed gaining traction in Vietnam.

Our Co-op

- Fonterra expands seaweed trial.

Key Dates

1 June 2022
Start of the 2022/23 Season

31 July 2022
End of FY22 Financial Year

September 2022
FY22 Annual Results Announcement

Global Production

New Zealand, Australia and US monthly production continues to decline, EU monthly production increases

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

CLICK HERE ▶

NEW ZEALAND

5.6% ↓
Change for April 2022 compared to April 2021

3.7% ↓
Change for the 12 months to April 2022

New Zealand milk production[1] decreased 5.6% on a litres basis, (down 5.2% on milk solids basis) in April compared to the same period the year prior.

Warm, dry and generally unfavourable conditions continued into April, impacting pastures and milk production. Some beneficial rain was observed in parts of the South Island.

New Zealand milk production for the 12 months to April was down 3.7% on the year prior.

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

AUSTRALIA

5.1% ↓
Change for March 2022 compared to March 2021

2.3% ↓
Change for the 12 months to March 2022

Australia milk production decreased 5.1% in March compared to the same period the year prior.

Production continued to decline year-on-year, as a result of below average rainfall, labour constraints, and increasing input prices.

Australia milk production for the 12 months to March was 2.3% lower than the year prior.

Both Dairy Australia and Rabobank have revised their FY22 forecasts down, Rabobank to -3.5% and Dairy Australia to -1% to -3%.

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

EUROPEAN UNION

0.7% ↑
Change for February 2022 compared to February 2021

0.2% ↑
Change for the 12 months to February 2022

EU milk production[2] was up 0.7% in February compared to the same period the year prior.

Increases in Poland, Italy, Ireland and Austria production were offset by ongoing weaker production observed in Netherlands, France and Germany.

EU milk production for the 12 months to February was up 0.2% compared to the same period the year prior, driven by increases in Italy, Ireland, Poland and Hungary and offset by decreases in Germany, Netherlands and France.

USA

1.0% ↓
Change for April 2022 compared to April 2021

0.4% ↑
Change for the 12 months to April 2022

US milk production decreased by 1.0% in April, compared to the same period the year prior.

Smaller herd sizes compared to this time last year are contributing to the decrease in production. Rising feed and fuel prices are a constraint to the rebuilding of milk herds.

Milk production for the 12 months to April was 0.4% higher compared to the same period the year prior.

1 New Zealand production is measured in litres.

2 Excludes UK.

Global Exports

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

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

CLICK HERE ▶

NEW ZEALAND

0.9% ↓
Change for April 2022 compared to April 2021

0.8% ↓
Change for the 12 months to April 2022

Total New Zealand dairy exports were down 0.9%, or 2,501 MT, in April compared to the same period the year prior.

Lower shipments of WMP to China and Sri Lanka given the lock-down and economic disruptions. Offsetting the decline, was stronger demand for SMP from South East Asia, for butter from China and South East Asia and for AMF from Mexico and Denmark.

Exports for the 12 months to April were down by 0.8%, or 27,407 MT, on the previous comparable period. This was primarily driven by decreases in WMP and AMF and infant formula but partially offset by increases in fluid milk products, casein, and SMP.

AUSTRALIA

26.5% ↑
Change for March 2022 compared to March 2021

21.2% ↑
Change for the 12 months to March 2022

Australia dairy exports increased 26.5%, or 19,287 MT, in March compared to the same period the year prior.

Strong export volumes in March continue to be driven by high demand for fluid milk products from China, up 14,016 MT. Increases in WMP and other powders and cheese exports were also observed.

Exports for the 12 months to March were up 21.2%, or 164,989 MT, on the previous comparable period.

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

EUROPEAN UNION

7.8% ↓
Change for February 2022 compared to February 2021

1.9% ↓
Change for the 12 months to February 2022

EU dairy exports decreased 7.8%, or 44,067 MT, in February compared to the same period the year prior.

Lower exports volumes were driven by decreases in fluid milk products, SMP and whey, partially offset by increases in cheese, cultured products, butter and lactose.

Exports for the 12 months to February were down 1.9%, or 139,780 MT, on the previous comparable period, driven by declines in infant formula, cultured products, WMP, SMP and butter and partially offset by increases in fluid milk products, cheese and MPC.

USA

0.5% ↑
Change for March 2022 compared to March 2021

7.3% ↑
Change for the 12 months to March 2022

US dairy exports remain high and increased 0.5%, or 1,260 MT, in March compared to the same period the year prior.

Strong demand continued for cheese to Mexico and South Korea as well as butter to Canada. Exports of WPC to China also grew. This was partially offset by lower shipments of SMP, lactose and smaller volumes of whey to China.

Exports for the 12 months to March 2022 were up 7.3%, or 188,717 MT, on the previous comparable period, driven by cheese, lactose, whey, SMP and fluid milk products.

Global Imports

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

CLICK HERE ▶

Sharp decline in China monthly imports. Latin America monthly imports down. Middle East and Africa and Asia imports up

LATIN AMERICA

2.3% ↓
Change for February 2022 compared to February 2021

3.4% ↑
Change for the 12 months to February 2022

Latin America dairy import volumes[1] decreased 2.3%, or 3,692 MT, in February compared to the same period the year prior.

The decrease was driven by lower demand for WMP to Brazil and Cuba, and fluid milk products to the Dominican Republic and Chile.

Imports for the 12 months to February were up 3.4% compared to the same period the year prior, driven by higher volumes of cheese, SMP, whey and butter and partially offset by declines in WMP.

ASIA

9.4% ↑
Change for February 2022 compared to February 2021

3.7% ↑
Change for the 12 months to February 2022

Asia (excluding China) dairy import volumes[1] increased 9.4%, or 34,709 MT, in February compared to the same period the year prior.

The increase was driven by higher demand for SMP to the Philippines and Thailand, WMP to Vietnam and lactose to Japan.

Imports for the 12 months to February were up 3.7%, or 177,623 MT, compared to the same period the year prior, driven by higher volumes of whey, cheese, SMP and WPC and partially offset by a decrease in WMP.

MIDDLE EAST & AFRICA

15.6% ↑
Change for February 2022 compared to February 2021

7.7% ↑
Change for the 12 months to February 2022

Middle East and Africa dairy import volumes[1] increased 15.6%, or 58,719 MT, in February compared to the same period the year prior.

The increase was driven by higher volumes across most product categories, and specifically of SMP to Egypt and Algeria, cheese to Libya and Egypt, and WMP to Oman.

Imports for the 12 months to February were up 7.7%, or 368,791 MT, compared to February the year prior, driven by increases in cheese, fluid milk products and SMP.

CHINA

21.2% ↓
Change for April 2022 compared to April 2021

1.4% ↑
Change for the 12 months to April 2022

China dairy import volumes decreased by 21.2%, or 73,377 MT, in April compared to the same period the year prior, which were historically high.

Lower volumes were observed across most products in April as lock-down disruptions continue, and more specifically fluid milk products, whey, SMP and WMP imports. Volumes of butter and WPC increased year-on-year.

Imports for the 12 months to April were up 1.4%, or 54,096 MT, driven by WMP, SMP and fluid milk products, partially offset by decreases in whey and infant formula.

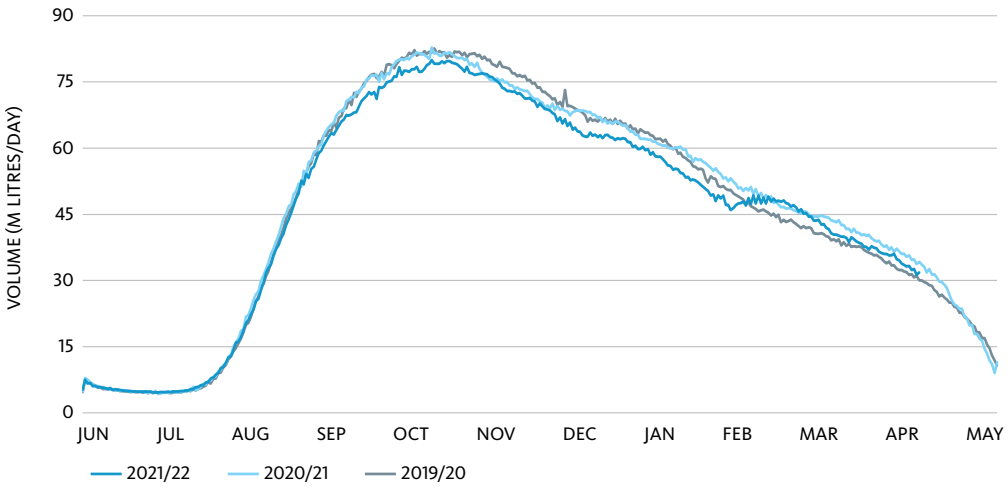
1 Estimates are included for those countries that have not reported data.

Fonterra Milk Collections

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

CLICK HERE ▶

New Zealand Milk Collections



NEW ZEALAND

5.1% ↓
Change for April 2022 compared to April 2021

3.8% ↓
Season-to-date 1 June to 30 April

Fonterra's New Zealand collections for April were 112.1 million kgMS, 5.1% lower than last April.

Season-to-date collections were 1,408.5 million kgMS, 3.8% behind last season.

April saw warm, dry conditions with only isolated showers in parts, providing improved pasture growing conditions. Milk volumes are generally declining as expected at this stage of the season as farmers prepare for next season, ensuring pasture covers and cows are in good condition.

NORTH ISLAND

5.2% ↓
Change for April 2022 compared to April 2021

4.2% ↓
Season-to-date 1 June to 30 April

North Island milk collections in April were 60.9 million kgMS, 5.2% behind April last season.

Season-to-date collections were 833.0 million kgMS, 4.2% behind last season.

Warm, dry conditions continued to affect key milking regions, with some farmers opting to conserve feed through once-a-day milking and drying off parts of herds earlier than normal.

SOUTH ISLAND

5.0% ↓
Change for April 2022 compared to April 2021

3.2% ↓
Season-to-date 1 June to 30 April

South Island milk collections in April were 51.2 million kgMS, 5.0% lower than last April.

Season-to-date collections were 575.5 million kgMS, 3.2% behind last season.

The warm and dry conditions that have adversely impacted milk production particularly in the lower South Island, were alleviated to a degree by rain that arrived in the middle of the month.

AUSTRALIA

2.0% ↓
Change for April 2022 compared to April 2021

1.2% ↓
Season-to-date 1 July to 30 April

Fonterra's Australia collections for April were 7.9 million kgMS, a 2.0% decrease on April last season.

Volumes from third party collections decreased 0.5m kgMS year-on-year and were largely offset by increased farm collections of 0.4m kgMS from new suppliers who have joined this season.

Fonterra collections across Australia for the nine months for the season-to-date were 91.1 million kgMS, a 1.2% decline on last season.

The inclusion of off-GDT sales contributed approximately 11 cents per kgMS to the Milk Price for the season to 30 April 2022.

Outlook for Fonterra in New Zealand

NZD per kgMS 8.25–9.75
Forecast Farmgate Milk Price for the 2022/23 season

1,510M kgMS
Forecast milk collection for the 2022/23 season

Fonterra Global Dairy Trade Results

Fonterra GDT results at last trading event **17 May 2022:**

0.0% ↓
Change in Fonterra's weighted average product price from previous event

USD 4,442
Fonterra's weighted average product price (USD/MT)

23.8 000' MT
Fonterra product quantity sold on GDT

CHEDDAR
1.0% ↑
USD 5,635/MT

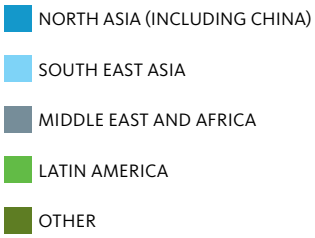
AMF
0.6% ↑
USD 6,043/MT

WMP
0.5% ↑
USD 3,934/MT

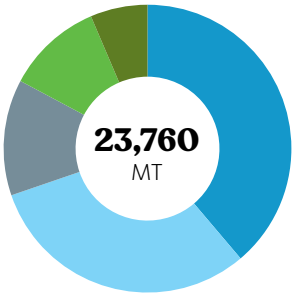
SMP
0.9% ↓
USD 4,141/MT

BUTTER
1.0% ↓
USD 5,750/MT

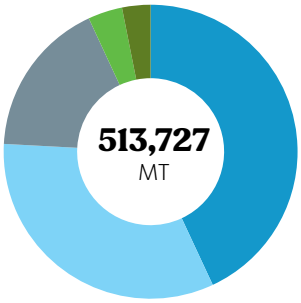
Fonterra GDT sales **by destination**:



LATEST AUCTION



FINANCIAL YEAR-TO-DATE



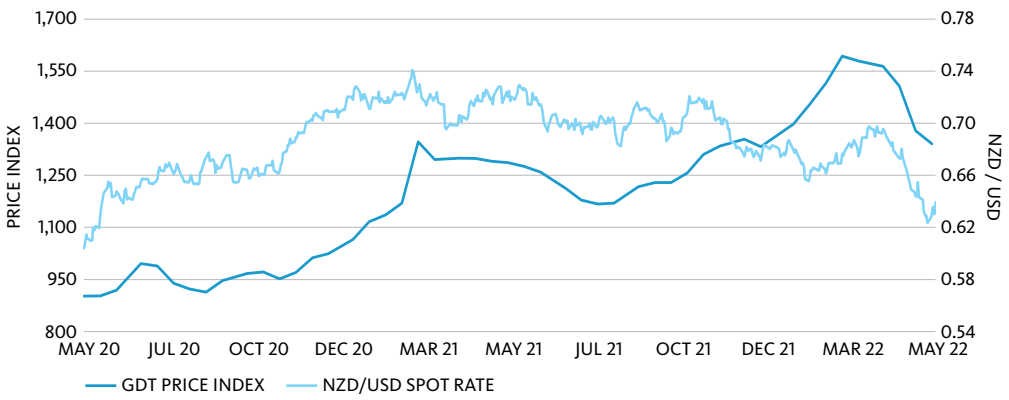
To view more information, including a snapshot of the rolling year-to-date results –

CLICK HERE ▶

▶ The next trading event will be held on 7 June 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

A combination of elevated geopolitical risk (chiefly the war in Ukraine), a rapid tightening of US monetary conditions and a degradation in the global economic outlook resulted in strong demand for US dollars; the NZD/USD exchange rate declined sharply to below 63 US cents before recovering.



Our Performance

Grass-fed gaining traction in Vietnam

As Fonterra focuses on growing our business in South East Asia, customers are starting to see the value in its grass-fed claims.

In Vietnam, one customer, Nutifood, has just released 100% New Zealand Grass-Fed milk, the first of its kind in the country.

Nutifood makes products including formulas, ready-to-drink milks and yoghurts that help with nutritional needs and the physical development of the Vietnamese population.

Mr. Vo Hoang Anh, Vice President Marketing at Nutifood, says consumers in Vietnam are becoming more interested in foods that are natural and of a high quality – and what is more natural than grass-fed milk from New Zealand?

"Vietnamese consumers are aware of the benefits of grass-fed milk, meaning Fonterra's sustainability claims and provenance story has provided a key point of difference."

In Vietnam, dairy products make up 10% of the average total food cost, so while already a popular part of the everyday diet, the majority of dairy is imported. By leveraging Fonterra's provenance story claims, Nutifood can differentiate themselves in the competitive market.

"The New Zealand origin has become a trustworthy signal in the eye of consumers – it indicates a healthy, nutritious and premium dairy product." says Mr. Vo Hoang Anh.

Sustainability claims are expected to drive sales in the coming years and by getting ahead of this, Nutifood can become a main player in this story.

"Customers see the value in milk being grass-fed and the New Zealand name" says Mr. Vo Hoang Anh.

New Zealand is the perfect place to grow grass – the combination of climate and nutrient rich soils make the ideal conditions for pasture-fed dairy farming.

Cows are 96% grass-fed and spend over 350 days a year on grass, which is more than anywhere else in the world. This is important for producing high quality and nutritious milk.

You can see from this branding alone how important our provenance story is to the consumer. It just goes to show the unique value of the New Zealand name.

Our Co-op

Fonterra expands seaweed trial Fonterra farmers have first access

Last month the Co-op announced it is expanding on-farm trials of methane reducing Asparagopsis seaweed, as part of its commitment to helping solve the methane challenge.

In partnership with Australian company Sea Forest, Fonterra is looking at the potential Asparagopsis seaweed has in reducing methane in a grass-fed farming system.

Fonterra General Manager of Sustainability APAC, Jack Holden, says our grass-fed farming model makes Fonterra one of the most carbon efficient producers of dairy in the world. "However, we have an aspiration to be net zero by 2050 and we are investing in R&D and partnerships to help find a solution to reducing methane emissions."

CSIRO research has shown that Asparagopsis seaweed has the potential to reduce emissions by over 80 per cent in laboratory trials, and while Fonterra understands the reductions will vary out of the lab, all reductions count.

"As with all methane solutions we're trialling, what we need to find out is whether we can use this supplement in a way that is safe for cows, safe for consumers and to ensure that there is no impact on milk taste or quality," says Jack Holden.

"Over the past two years, 900 dairy cows on a farm in Australia have been fed small amounts of the seaweed supplement and the results have been promising at each stage. We are now expanding the trial across three additional farms, to test the supplement's application at a commercial-scale.

"This will include understanding the practicalities of using the seaweed supplement as part of normal farming operations, which is critical because it needs to be easy to implement and beneficial for farmers if we want it to be widely adopted."

"If the trial proves successful, we have agreed with Sea Forest that Fonterra farmers will have first access to the commercial Asparagopsis solution," says Jack Holden.

Sea Forest CEO and Founder Sam Elsom says last year the company bought an additional 30ha farm as it dramatically increases its production of the seaweed supplement.

"Asparagopsis is a common seaweed native to the waters of Tasmania and New Zealand, and we're the first in the world to cultivate it at a commercial scale through both marine and land-based aquaculture.

"We needed a food industry partner to help us take this to a commercial scale, and we partnered with Fonterra because of its commitment to sustainability and innovation.

"We're looking forward to working with Fonterra on the next phase, and although we're still in trial phases, we believe this has potential," says Sam.

Fonterra believes there will be no single solution to the methane challenge, with Asparagopsis one of a number of solutions it is looking at.

Other work the Co-op is carrying out includes:

- Tapping into its large collection of dairy cultures to create new fermentations we're calling Kowbucha™, which could inhibit the methanogens that create methane in cows.
- Working with Royal DSM, a global science-based company, to test whether DSM's feed additive product Bovaer®, which reduces methane emissions from cows by over 30% in non-pasture-based farming systems, can do the same in New Zealand's pasture-based farming systems.
- With MPI and DairyNZ, expanding a promising trial with Nestlé to include plantain in a cow's diet to reduce the amount of nitrogen produced, reducing carbon emissions and improving freshwater quality.

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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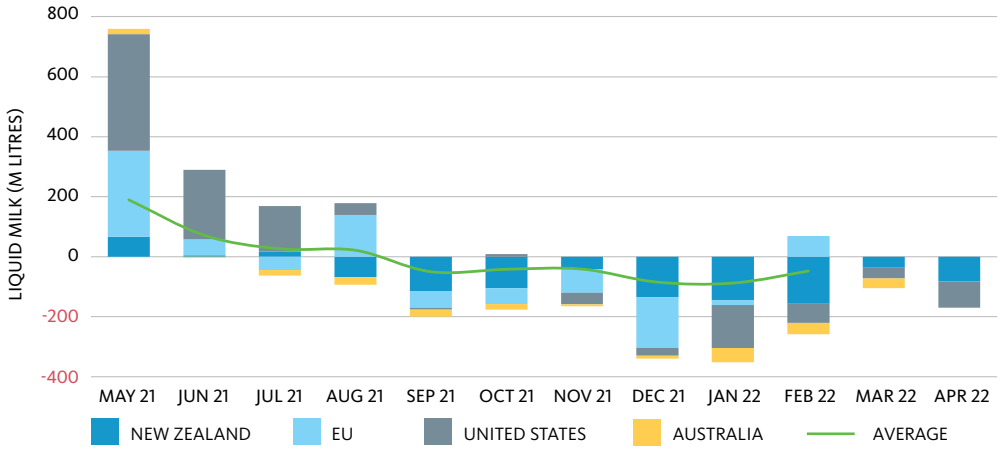
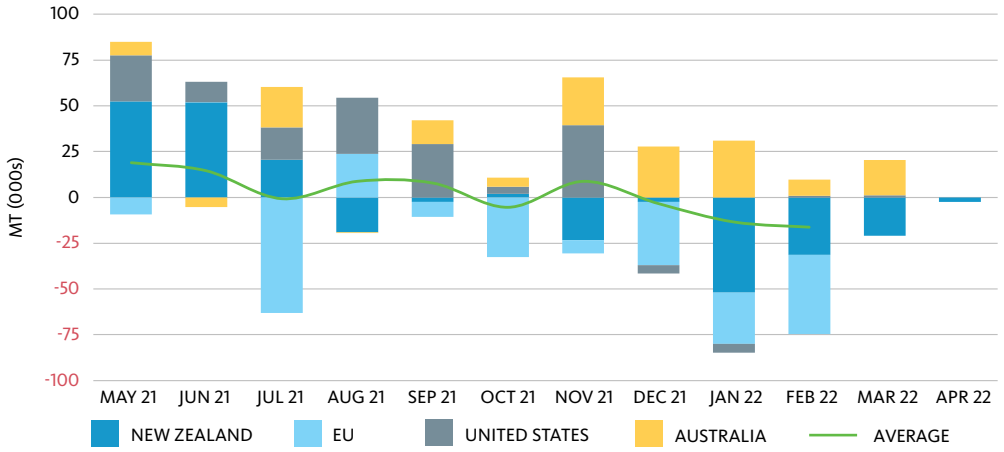
PRODUCTION



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

BACK TO SUMMARY

EXPORTS



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

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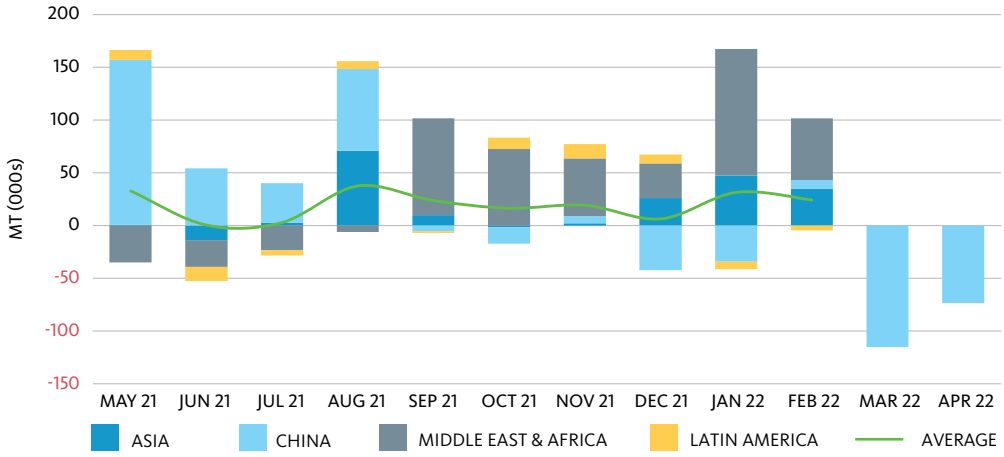
IMPORTS



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

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.

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MILK COLLECTION (MILLION KGMS)	APRIL 2022	APRIL 2021	MONTHLY CHANGE	SEASON-TO-DATE 2021/22	SEASON-TO-DATE 2020/21	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	112.1	118.2	(5.1%)	1,408.5	1,464.0	(3.8%)
North Island	60.9	64.3	(5.2%)	833.0	869.8	(4.2%)
South Island	51.2	53.9	(5.0%)	575.5	594.3	(3.2%)
Australia	7.9	8.1	(2.0%)	91.1	92.1	(1.2%)

Fonterra GDT results

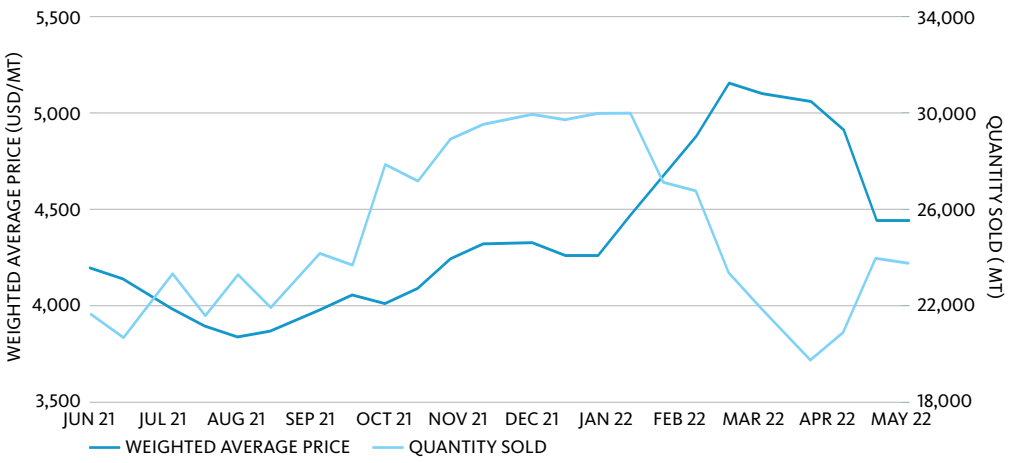
This table provides more information on the latest results, including a snapshot of the year-to-date results.

	LAST TRADING EVENT (17 MAY 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	23,760	513,727
Change in Quantity Sold on GDT over same period last year	17.6%	(11.4%)
Weighted Average Product Price (USD/MT)	4,442	4,403
Change in Weighted Average Product Price over same period last year	5.4%	26.2%
Change in Weighted Average Product Price from previous event	0.0%	–

Fonterra GDT results

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

BACK TO SUMMARY ▶



Glossary

AMF

Anhydrous Milk Fat.

BMP

Butter Milk Powder.

Cultured Products

Fermented milks that are prepared by using starter cultures and controlled fermentation including yoghurt, yoghurt drinks, sour cream, crème fraiche.

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.

WPI

Whey Protein Isolate.