



MARCH 2023

Global Dairy UPDATE



- New Zealand February production increases but remains down on a 12-month basis. US, and EU monthly production increases while Australia production continues to decline.

- On 16 March, Fonterra announced its 2023 Interim Results.

[For further details –](#)



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

- Bringing the New Zealand flavour to the world's largest food and beverage event.



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



- Fonterra New Zealand milk collections for February were 130.3 million kgMS, 2.7% higher than February in the prior season. At the end of February, collections were down 1.8% on a 12-month basis.
- Fonterra Australia milk collections for February were 7.7 million kgMS, 1.5% up on February in the prior season.

- Award winning farming for a sustainable future.

Key Dates



May 2023
FY23 Q3 Business Update

1 June 2023
Start of the 2023/24 Season

31 July 2023
End of FY23 Financial Year



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

New Zealand February production increases but remains down annually. US and EU monthly production increases, while Australia continues to decline

NEW ZEALAND

2.3%↑

Change for February 2023 compared to February 2022

2.1%↓

Change for the 12 months to February 2023

New Zealand¹ milk production was up 2.3% on a litres basis, (also up 2.3% on milk solids basis) in February compared to the same period the year prior.

Despite the disruption of Cyclone Gabrielle, wet and warm weather across the North Island had a favourable impact on pasture conditions. South Island production continues to be constrained by dry conditions.

New Zealand milk production for the 12 months to February was down 2.1% on the previous comparable period.

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

AUSTRALIA

3.6%↓

Change for January 2023 compared to January 2022

6.6%↓

Change for the 12 months to January 2023

Australia milk production decreased 3.6% in January compared to the same period the year prior.

Despite more favourable summer conditions, a significantly wetter than average spring continues to impact production through reduced availability of pasture and lower quality supplementary feed.

Australia milk production for the 12 months to January was 6.6% lower on the previous comparable period.

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

EUROPEAN UNION

1.0%↑

Change for January 2023 compared to January 2022

0.1%↑

Change for the 12 months to January 2023

EU milk production² increased 1.0% in January year-on-year.

The production increase was driven primarily by Germany, Netherlands and Belgium, and partially offset by declines in Italy, France and Spain.

EU milk production for the 12 months to January was up 0.1% on the previous comparable period.

Increases in Poland, Netherlands, Germany and Belgium were largely offset by declines in Italy, Spain and France.

USA

0.8%↑

Change for February 2023 compared to February 2022

0.5%↑

Change for the 12 months to February 2023

US milk production increased by 0.8% in February compared to the same period the year prior.

Production continues the recent trend of year-on-year growth, supported by a herd size which is tracking above prior year. However, recent challenging weather conditions in California and on-farm cost pressures are expected to curb herd size growth in the coming months.

Milk production for the 12 months to February increased 0.5% on the previous comparable period.

¹ New Zealand production is measured in litres.

² Excludes UK.



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

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

NEW ZEALAND



Total New Zealand dairy exports increased 3.5%, or 9,395 MT, in February compared to the same period the year prior.

The increase was driven by an increase in SMP export volumes to China and Southeast Asia. This was largely offset by a decline in WMP exports to China and Indonesia.

Exports for the 12 months to February were down by 3.3%, or 114,224 MT, on the previous comparable period. This was primarily driven by decreases in WMP and cheese and partially offset by increases in SMP.

AUSTRALIA



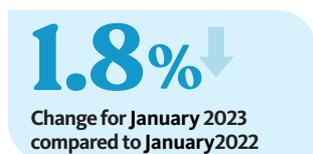
Australia dairy exports decreased 39.0%, or 33,318 MT, in January compared to the same period the year prior, which included very strong export volumes to China.

Lower volumes of fluid milk products to China are driving this decrease. Cheese and SMP exports to China have also declined year on year.

Exports for the 12 months to January were down 13.2%, or 120,655 MT, on the previous comparable period.

This was predominantly driven by decreases in fluid milk products, WMP and cheese.

EUROPEAN UNION



EU dairy exports decreased 1.8%, or 8,849 MT, in January compared to the same period the year prior.

The decline in exports volumes continues to be driven by lower fluid milk products shipments to China and WMP to Oman and China. The decrease was partially offset by an increase in infant formula and SMP exports to China.

Exports for the 12 months to January were down 8.9%, or 640,331 MT, on the previous comparable period, driven by declines in fluid milk products, SMP, cheese and WMP and partially offset by increases in infant formula and cultured products.

USA



US dairy exports increased 15.8% or 29,632 MT in January compared to the same period the year prior. It is the strongest year-on-year increase since November 2021.

Stronger demand was observed across most products categories, in particular, for lactose to China, SMP to Mexico and Thailand and cheese to Mexico.

Exports for the 12 months to January were up 5.9% or 162,601 MT on the previous comparable period, driven by lactose, cheese, WPC and whey, and partially offset by declines in SMP.



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

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

LATIN AMERICA

8.8%↑

Change for January 2023 compared to January 2022

9.8%↑

Change for the 12 months to January 2023

Latin America dairy import volumes¹ increased 8.8%, or 14,871 MT, in January compared to the same period the year prior.

The increase was driven by higher demand for WMP by Brazil, SMP and cheese by Mexico, and partially offset by lower demand of fluid milk products by the Dominican Republic.

Imports for the 12 months to January were up 9.8%, or 204,192 MT on the previous comparable period, driven by higher volumes of WMP, SMP, cheese and infant formula.

ASIA

7.9%↓

Change for January 2023 compared to January 2022

2.6%↓

Change for the 12 months to January 2023

Asia (excluding China) dairy import volumes¹ decreased 7.9%, or 33,645 MT, in January compared to the same period the year prior.

The decrease was driven by lower demand for whey by Indonesia and Vietnam, and SMP by the Philippines and Malaysia.

Imports for the 12 months to January were down 2.6%, or 131,997 MT, on the previous comparable period, driven by a decrease in demand for fluid milk products, whey and cheese.

MIDDLE EAST & AFRICA

4.4%↓

Change for January 2023 compared to January 2022

2.8%↑

Change for the 12 months to January 2023

Middle East and Africa dairy import volumes¹ decreased 4.4%, or 21,446 MT, in January compared to the same period the year prior.

The decrease was driven by lower volumes of fluid milk products and cheese to Iraq, and partially offset by higher demand for SMP to Algeria.

Imports for the 12 months to January were up 2.8%, or 144,022 MT, on the previous comparable period, driven by increases in SMP, cheese and infant formula, and partially offset by a decline in fluid milk products.

CHINA

6.8%↓

Change for February 2023 compared to February 2022

22.0%↓

Change for the 12 months to February 2023

China dairy import volumes decreased by 6.8%, or 18,520 MT, in February compared to the same period the year prior.

The pace of China's reopening, post-lockdown restrictions, as well as high domestic production continue to have an impact on import volumes, particularly fluid milk products and WMP.

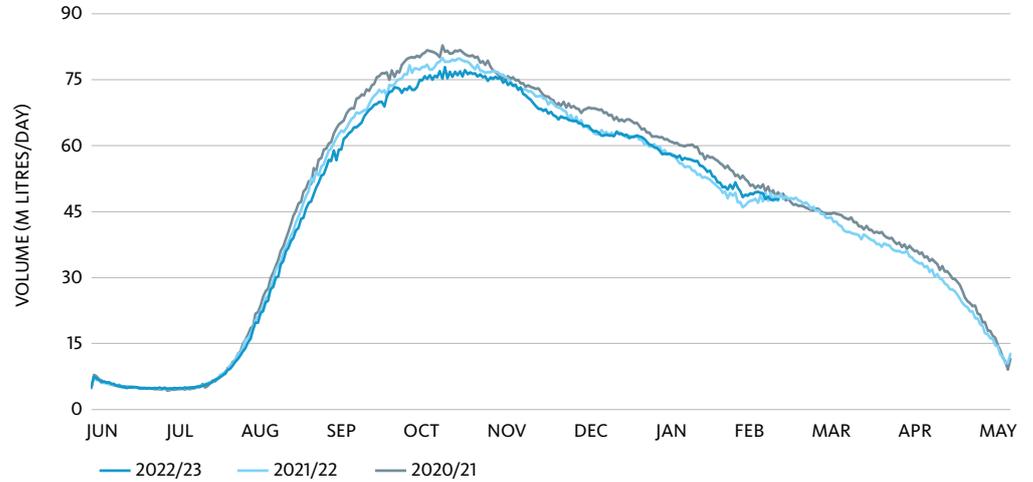
This was partially offset by an increase in demand for whey. Imports of SMP from New Zealand also increased. Imports for the 12 months to February were down 22.0%, on the previous comparable period or 902,623 MT, driven by WMP, fluid milk products and SMP.

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



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

New Zealand Milk Collections



NEW ZEALAND

2.7%↑
Change for February 2023 compared to February 2022

1.1%↓
Season-to-date 1 June to 28 February

Fonterra's New Zealand collections for February were 130.3 million kgMS, 2.7% higher than last February.

Season-to-date collections were 1,146.6 million kgMS, 1.1% behind last season.

February saw Cyclone Gabrielle disrupt milk volumes that were beginning to recover, but ended with strong North Island production. This was offset by slightly unfavourable South Island milk supply.

The inclusion of off-GDT sales contributed approximately five cents per kgMS to the Milk Price for the season to 31 January 2023.

NORTH ISLAND

6.4%↑
Change for February 2023 compared to February 2022

2.0%↓
Season-to-date 1 June to 28 February

North Island milk collections in February were 71.7 million kgMS, 6.4% ahead of February last season.

Season-to-date collections were 683.1 million kgMS, 2.0% behind last season.

February weather was very wet for the far north and eastern regions of North Island. For the central North Island, the wet/warm weather also brought strong pasture growing conditions.

Continued wet weather throughout the month caused some disruption on milk volumes, however, farms are well set up for late summer/autumn with strong pasture covers and animal condition.

SOUTH ISLAND

1.5%↓
Change for February 2023 compared to February 2022

0.3%↑
Season-to-date 1 June to 28 February

South Island milk collections in February were 58.7 million kgMS, 1.5% behind last February.

Season-to-date collections were 463.5 million kgMS, 0.3% ahead of last season.

More dry and warm weather in the South Island caused lower milk production throughout the month.

There is a potential drought risk for Southland and Canterbury regions over the late summer/early Autumn period.

AUSTRALIA

1.5%↑
Change for February 2023 compared to February 2022

1.8%↓
Season-to-date 1 July to 28 February

Fonterra's Australia collections for February were 7.7 million kgMS, a 1.5% increase from February last season.

Farm collections increased 0.1 million kgMS and third party collections were stable year on year.

Season-to-date collections reached 73.9 million kgMS, 1.8% behind last season.

OUR MARKETS

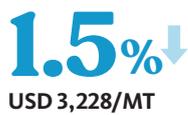
Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event
21 March 2023:



WMP



BUTTER



SMP



AMF



CHEDDAR

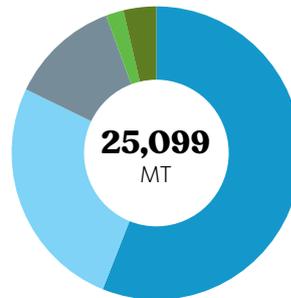


Fonterra GDT sales by destination:

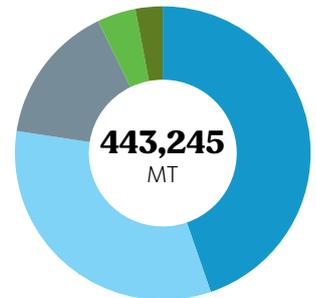


To view more information, including a snapshot of the rolling year-to-date results –

LATEST AUCTION



FINANCIAL YEAR-TO-DATE



► The next trading event will be held on 4 April 2023. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Financial markets were rocked by emerging stresses in both the US and European banking sectors which caused significant declines in interest rates on both sides of the Atlantic. This, together with increased volatility in equity markets, resulted in reduced risk appetite and consequently increased 'safe-haven' demand for US dollars. Additionally, weaker than expected New Zealand economic data led to the NZD declining to below 62 US cents before recovering later in March.



Our Performance



Bringing the New Zealand flavour to the world's largest food and beverage event

At the end of February, Fonterra showed up at Gulfood in Dubai, the world's largest food and beverage event – to showcase its fantastic range of products to the world.

This year, the Co-op showcased the potential of its proteins in a range of applications – like spoonable and drinkable yoghurt – and mouth-watering Anchor™ Food Professionals products, like cream cheese and whipping cream, brought to life by expert pastry chef, Ronny Keyrouz (pictured below).



Fonterra's ingredients team (NZMP™) shared how they can creatively help customers fortify different products with extra protein, as well as making sure customers knew about the many extra services on offer to make their life easier.

Adam Lyall, Fonterra Regional Sales Manager for MEA, noticed that health and wellness and protein fortification continues to be top of mind for consumers – and Fonterra's ingredients play right into that:

"A lot of customers were asking how they can add more protein into their dairy products, whether it's yogurt, cheese or consumer powder, because they see that with the rise of the health-conscious consumer, high protein products are in demand as a way to maximise nutritional benefits" said Adam.

The Co-op's foodservice team (Anchor™ Food Professionals) enabled customers to see in person just how versatile its ingredients are, by putting chef Ronny Keyrouz in the spotlight. Ronny made brownies, cheesecakes, cookies and pasta – all using Anchor cream, cream cheese and butter sheets.

But perhaps the most unique thing about the stand was how the Co-op showed up when it came to illustrating its sustainability credentials - which showed what makes New Zealand grass-fed dairy different.



Pictured left (left to right): Erika Galvez, Category Marketing Manager, Helena Jannetta, Marketing Director for MEA, and Jenna Grieve, Sustainability Solutions Manager

Fonterra Sustainability Solutions Manager Jenna Grieve, and Trade Strategy Manager for Europe and MEA Mark Casey, took the stage to participate in discussions revolving around sustainability. Jenna shared a presentation on how the Co-op is working to make the dairy industry less carbon intensive, and shared many of the game-changing methane innovations it is testing, and Mark participated in a panel discussing the future of animal-based food.



Award-winning farming for a sustainable future

Martin Bennett has been a dairy farmer for nearly half a century so he's seen his fair share of change in the industry over that time.

"I've been a dairy farmer since I left school. I was always going to be a dairy farmer. It was something that I decided when I was very young, all of four years old."

But Martin isn't your typical run of the mill dairy farmer. Described as a "national champion for social and environmental sustainability on farms", Martin was recognised in the New Year Honours list, becoming an Officer of the New Zealand Order of Merit for services to the environment and the community.

That commitment started when Martin and his wife Judith were sharemilking and accelerated when they bought their own farm near Putaruru, where they milk 400 cows.

"When we first bought the farm, we had a beautiful 1.6-kilometre stream but none of it was fenced. That was the first thing we did, then through some local contacts we got some plants and away we went."

Martin became a founding member of the Dairy Environment Leaders group, which is funded by DairyNZ and initially organised by the NZ Farm Environment Trust, and he was its Chair between 2009 and 2016.

"I knew I wasn't the only guy paddling this canoe and we had annual forums where we would invite a group of 50 farmers or so



to discuss ways they could farm more sustainably and drive sustainable environmental change in their own communities.

"Through the forums we created a small army of like-minded farmers to get things going. They certainly had positive impacts on their local catchments especially.

But it's fair to say that the Dairy Environment Leaders group was not that popular at first.

"That was a time of extreme growth. Farmers were all about growing the industry and their businesses. Environmental sustainability wasn't really on the radar at all and we got some pushback, but we persevered.

"We have an obligation to do the right thing and be good stewards of the land by doing what we can to minimise our footprint. Most farmers are on board with that and there's a new generation of dairy farmers who are really running with it and doing a fantastic job."

Martin says the dairy industry still has a lot of work to do with tough regulations coming down the line.

"Things like nutrient management and emissions reductions will take sustainability to the next level. It will involve a lot of work and change but the best thing we as farmers can do is to work with our supply companies, not against them. Regardless of what happens in the industry, Fonterra is always going to be the benchmark and they have a big role to play in helping farmers to navigate and understand what needs to happen to ensure the future success of our industry."

Martin says he sees his honour as an acknowledgement for all the hard work thousands of farmers have put in to improve life on the land.

"We have an industry that is a far better operation than it used to be. There are some pretty good people out there, and to be singled out as one of them is very nice. I'm very grateful for that but sustainability is a moving target and always has been, so let's get on and chase it."

Supplementary Information

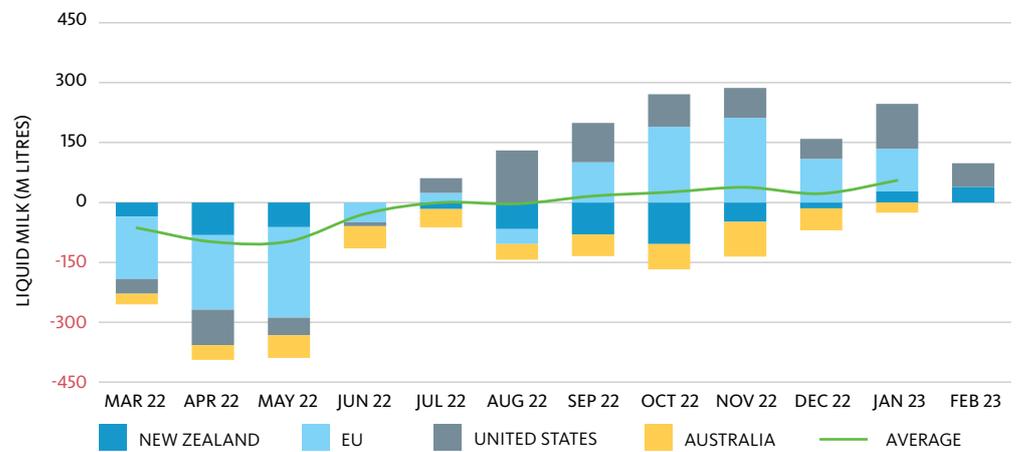
Global Dairy Market

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.

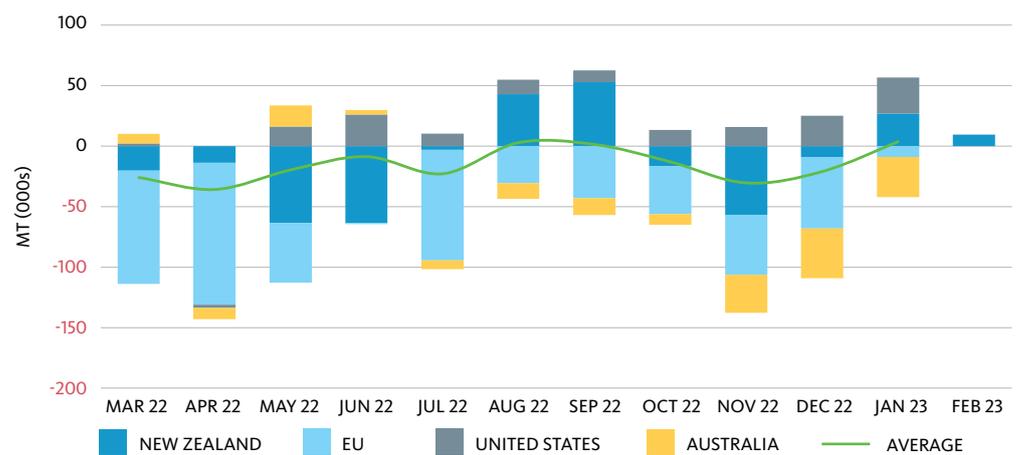
Averages are shown where data is complete for the regions presented.

PRODUCTION



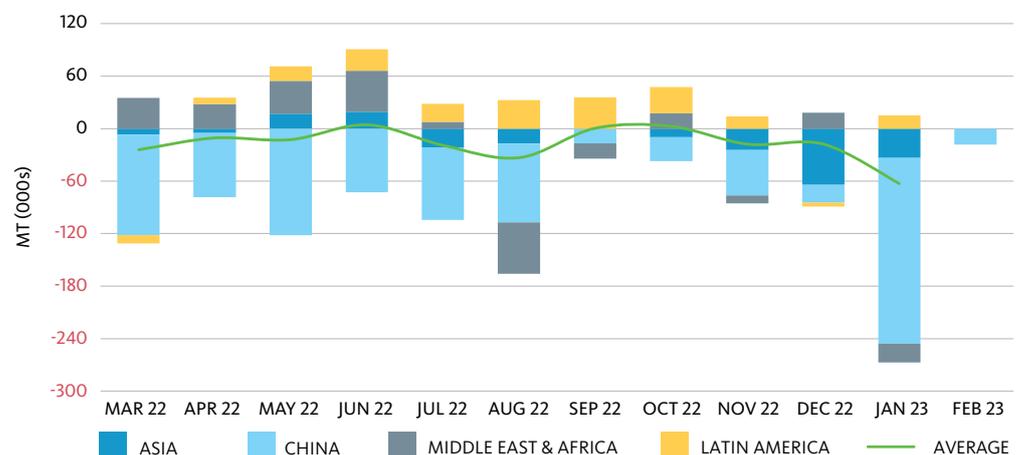
NOTE: Data for EU and Australia to January; New Zealand and US to February.

EXPORTS



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

IMPORTS



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

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)	FEBRUARY 2023	FEBRUARY 2022	MONTHLY CHANGE	SEASON-TO-DATE 2022/23	SEASON-TO-DATE 2021/22	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	130.3	126.9	2.7%	1,146.6	1,159.6	(1.1%)
North Island	71.7	67.3	6.4%	683.1	697.3	(2.0%)
South Island	58.7	59.6	(1.5%)	463.5	462.3	0.3%
Australia	7.7	7.6	1.5%	73.9	75.2	(1.8%)

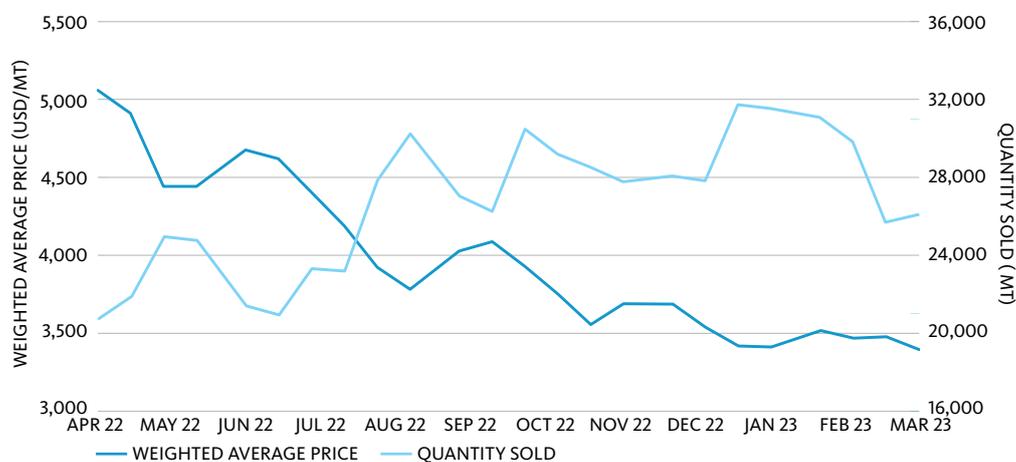
Fonterra GDT results

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

	LAST TRADING EVENT (21 MARCH 2023)	YEAR-TO-DATE (FROM 1 AUGUST 2022)
Quantity Sold on GDT (Winning MT)	25,099	443,245
Change in Quantity Sold on GDT over same period last year	14.7%	4.2%
Weighted Average Product Price (USD/MT)	3,395	3,662
Change in Weighted Average Product Price over same period last year	(33.4%)	(15.7%)
Change in Weighted Average Product Price from previous event	(2.3%)	-

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.

Cultured Products

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

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.

MEA

Middle East Africa.

MPC

Milk Protein Concentrate.

Non-Reference Products

All dairy products, except for Reference Products, produced by the New Zealand 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.

WPI

Whey Protein Isolate.