



Market Announcement

3 April 2023

Fonterra revises FY23 forecast Farmgate Milk Price

Fonterra Co-operative Group Ltd today revised its 2022/23 season forecast Farmgate Milk Price range from NZ\$8.20 - \$8.80 per kgMS to NZ\$8.00 - \$8.60 per kgMS.

This reduces the midpoint of the range by 20 cents from \$8.50 to \$8.30 per kgMS.

Fonterra CEO Miles Hurrell says the change reflects short-term demand for products that inform the Co-op's Farmgate Milk Price being softer than expected.

"Since our last update in February, prices for our products on Global Dairy Trade have either declined or remained flat.

"Skim milk powder prices have fallen 7% since February, and whole milk powder prices have not lifted to the levels assumed in the previous forecast.

"There are two main drivers behind this. The first is demand from China for whole milk powder has not yet returned to expected levels. The second is Northern Hemisphere milk production, and therefore skim milk powder stocks, are increasing as they head into their Spring flush.

"With these factors weighing on demand, prices have not increased to the levels required to sustain a higher forecast Farmgate Milk Price for this season.

"We recognise this change has an impact on our farmers' businesses, at a time when many are facing increasing costs.

"To assist on-farm cash flow, we are adjusting the Advance Rate schedule, which is the proportion of the season's Farmgate Milk Price paid to farmers each month, to get cash to our farmers earlier. We have increased the March paid April payment and plan to hold payments at that level until June.

"We are able to do this because of the strength of the Co-op's balance sheet, which is further supported by our strong full year earnings forecast.

"Our full year forecast normalised earnings of 55-75 cents per share remains unchanged.

"We remain positive about the outlook for next season and will share our opening 2023/24 Farmgate Milk Price forecast in May," says Mr Hurrell.

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