



MAY 2023

Global Dairy UPDATE



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



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



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



- Fonterra New Zealand milk collections for April were 121.2 million kgMS, 8.1% higher than April in the prior season. Season-to-date collections were 1,405.1 million kgMS, 0.2% behind last season.
- Fonterra Australia milk collections for April were 8.4 million kgMS, 6.1% up on April in the prior season. Season-to-date collections are 0.3% down on last season.



- Third quarter business update.

[For further details, visit our website –](#)

- Fonterra taking further steps to decarbonise and lift efficiency.



- Take a peek at Shenzhen's new space for innovative and delicious drinks.

Key Dates



1 June 2023
Start of the 2023/24 Season

31 July 2023
End of FY23 Financial Year

September 2023
FY23 Annual Results
Announcement



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

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

NEW ZEALAND

6.7%↑

Change for April 2023 compared to April 2022

1.1%↓

Change for the 12 months to April 2023

New Zealand¹ milk production was up 6.7% on a litres basis, (up 7.3% on milk solids basis) in April compared to the same period the year prior.

Production continues to recover due to intermittent rain and warmer weather, conducive to strong pasture growing conditions.

New Zealand milk production for the 12 months to April was down 1.1% on the previous comparable period.

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

AUSTRALIA

1.7%↓

Change for April 2023 compared to April 2022

6.3%↓

Change for the 12 months to April 2023

Australia milk production decreased 1.7% in April compared to the same period the year prior.

Favourable Autumn conditions, with improved feed availability, have slowed the rate of milk production decline in April.

Australia milk production for the 12 months to April was 6.3% lower compared to the previous comparable period.

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

EUROPEAN UNION

0.7%↑

Change for February 2023 compared to February 2022

0.1%↑

Change for the 12 months to February 2023

EU milk production² increased 0.7% in February compared to February the year prior.

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

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

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

USA

0.3%↑

Change for April 2023 compared to April 2022

0.7%↑

Change for the 12 months to April 2023

US milk production increased by 0.3% in April compared to the same period the year prior.

Production continued to increase year-on-year although at a slower pace compared to prior months. This increase was driven by larger herd sizes relative to the same period last year. However, due to a large barn fire, cow numbers decreased in April.

Milk production for the 12 months to April increased 0.7% on the previous comparable period.

1 New Zealand production is measured in litres.

2 Excludes UK.



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

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

NEW ZEALAND

28.0%↑

Change for April 2023 compared April 2022

1.9%↓

Change for the 12 months to April 2023

Total New Zealand dairy exports increased 28.0%, or 74,273 MT, in April compared to the same period the year prior.

The increase was driven by higher export volumes of WMP and SMP to Algeria as a result of successful tenders, as well as higher export volumes of WMP and SMP to China against a weak April in the prior period.

Exports for the 12 months to April were down by 1.9%, or 64,332 MT, on the previous comparable period. This was driven by decreases in WMP and MPC, and partially offset by increases in SMP and AMF.

AUSTRALIA

19.5%↓

Change for March 2023 compared to March 2022

19.7%↓

Change for the 12 months to March 2023

Australia dairy exports decreased 19.5%, or 15,727 MT, in March compared to the same period the year prior, which benefited from strong export volumes to China.

The decline in exports was driven by lower volumes of fluid milk products to China, as well as a decrease in exports of cheese and WMP.

Exports for the 12 months to March were down 19.7%, or 183,325 MT, on the previous comparable period.

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

EUROPEAN UNION

7.3%↑

Change for March 2023¹ compared to March 2022

7.7%↓

Change for the 12 months to March 2023

EU dairy exports increased 7.3%, or 42,152 MT, in March compared to the same period the year prior.

The increase was driven by butter¹, SMP to Algeria and China, and partially offset by a decrease in fluid milk products to China.

Exports for the 12 months to March were down 7.7%, or 537,731 MT, on the previous comparable period, driven by declines in fluid milk products, cheese and WMP, and partially offset by increases in infant formula and cultured products.

USA

0.9%↓

Change for March 2023 compared to March 2022

5.5%↑

Change for the 12 months to March 2023

US dairy exports decreased 0.9%, or 2,251 MT, in March compared to the same period the year prior. This is the second year-on-year decrease since April 2022.

Slightly lower volumes of SMP, whey, butter and WMP were partially offset by an increase in exports of lactose to China and New Zealand.

Exports for the 12 months to March were up 5.5%, or 150,356 MT, on the previous comparable period, driven by lactose, cheese, whey and WPC. This was partially offset by declines in SMP.

¹ Butter export volumes for March 2023 are currently under review by Eurostat due to anomalies in the data.



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



Latin America dairy import volumes¹ increased 10.5%, or 20,140 MT, in March compared to the same period the year prior.

The increase was driven by higher imported volumes of WMP and lactose by Brazil, and SMP and AMF by Mexico.

Imports for the 12 months to March were up 12.4%, or 256,518 MT, on the previous comparable period, driven by higher volumes of WMP, SMP, cheese and AMF.

ASIA

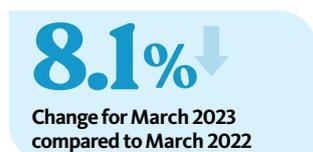


Asia (excluding China) dairy import volumes¹ decreased 3.8%, or 17,671 MT, in March compared to the same period the year prior.

The decrease was driven by lower imported volumes of WMP by Thailand and Bangladesh, fluid milk products by the Philippines, SMP by Indonesia and cheese by Japan, and partially offset by increased volumes of whey by Vietnam.

Imports for the 12 months to March were down 4.0%, or 203,720 MT, on the previous comparable period, driven by lower volumes of whey, infant formula, WPC and WPI.

MIDDLE EAST & AFRICA

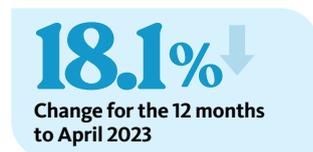
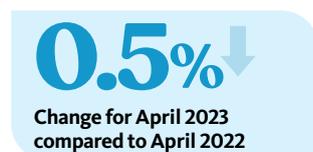


Middle East and Africa dairy import volumes¹ decreased 8.1%, or 37,696 MT, in March compared to the same period the year prior.

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

Imports for the 12 months to March were down 0.1%, or 4,586 MT, on the previous comparable period, driven by a decline in fluid milk products and WMP, and partially offset by an increase of SMP.

CHINA



China dairy import volumes decreased by 0.5%, or 1,377 MT, in April compared to the same period the year prior.

The pace of China's reopening, post-lock down restrictions, as well as high domestic production, continues to impact import volumes, particularly WMP and fluid milk products. This was partially offset by an increase in demand for SMP from New Zealand and Australia, as well as whey and infant formula.

Imports for the 12 months to April were down 18.1%, or 710,447 MT, on the previous comparable period, driven by a decline in WMP, fluid milk products and SMP.

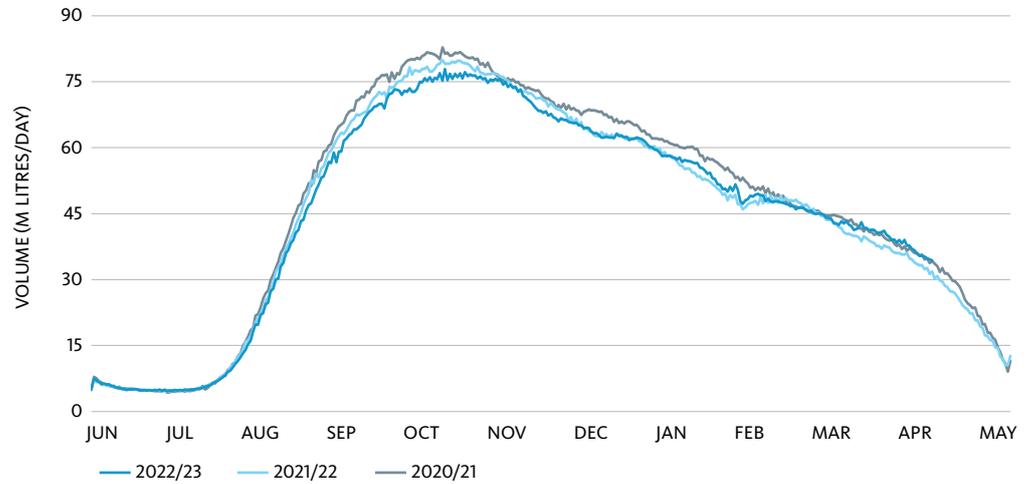
¹ Estimates are included for those countries that have not reported data.

Fonterra Milk Collections



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

New Zealand Milk Collections



NEW ZEALAND

8.1%↑

Change for April 2023 compared to April 2022

0.2%↓

Season-to-date 1 June to 30 April

Fonterra's New Zealand collections for April were 121.2 million kgMS, 8.1% higher than last April.

Season-to-date collections were 1,405.1 million kgMS, 0.2% behind last season.

April weather was mixed with intermittent rain and warmer weather conducive to strong pasture growing conditions.

NORTH ISLAND

10.0%↑

Change for April 2023 compared to April 2022

0.9%↓

Season-to-date 1 June to 30 April

North Island milk collections in April were 67.0 million kgMS, 10.0% ahead of April last season.

Season-to-date collections were 825.6 million kgMS, 0.9% behind last season.

The North Island continues to see a good mixture of weather supporting strong milk supply. Recent favourable weather conditions have supported strong pasture cover and good animal conditions as farms prepare for the new season.

SOUTH ISLAND

5.8%↑

Change for April 2023 compared to April 2022

0.7%↑

Season-to-date 1 June to 30 April

South Island milk collections in April were 54.2 million kgMS, 5.8% ahead of last April.

Season-to-date collections were 579.5 million kgMS, 0.7% ahead of last season.

The South Island has experienced good rainfall and warmer temperatures with more settled conditions. The South Island continues to benefit from the rainfall aiding in pasture recovery and good animal condition, allowing for a steady wind down for the season.

AUSTRALIA

6.1%↑

Change for April 2023 compared to April 2022

0.3%↓

Season-to-date 1 July to 30 April

Fonterra's Australia collections for April were 8.4 million kgMS, a 6.1% increase from April last season.

Collections increased in April as a result of favourable autumn conditions, as well as recruiting and retaining more Australian dairy farmers across Victoria and Tasmania.

Season-to-date collections reached 90.8 million kgMS, 0.3% behind last season.

Outlook for Fonterra in New Zealand

The inclusion of off-GDT sales contributed approximately eight cents per kgMS to the Milk Price for the season to 30 April 2023.

NZD per kgMS **7.25-8.75**

Forecast Farmgate Milk Price for the 2023/24 season

1,480M kgMS

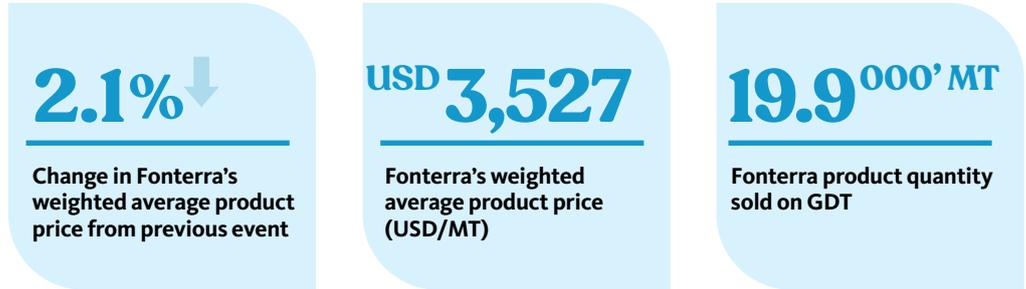
Forecast milk collection for the 2023/24 season

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at last trading event
16 May 2023:



BUTTER



WMP



SMP



CHEDDAR



AMF

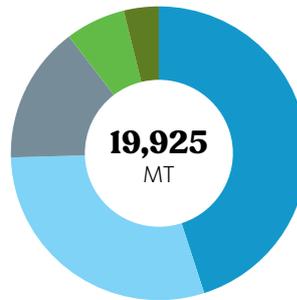


Fonterra GDT sales by destination:

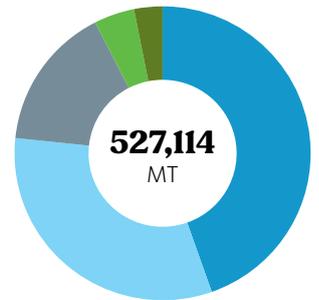


To view more information, including a snapshot of the rolling year-to-date results –

LATEST AUCTION



FINANCIAL YEAR-TO-DATE



► The next trading event will be held on 6 June 2023. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Financial markets have undergone a period of relative stability over the past two months, allowing for bonds, equities, and foreign exchange rates to broadly consolidate within their recent trading ranges. The NZD/USD exchange rate has continued to trade between 61 and 64 US cents.



Our Performance



Fonterra taking further steps to decarbonise and lift efficiency

Fonterra is continuing to progress its decarbonisation work with the announcement of another site transitioning from coal and the installation of a heat pump and solar thermal system.

The Co-operative will convert its coal boilers at its Hautapu site to wood pellets and install a heat pump at its Palmerston North milk processing site that supplies the local market. Both projects have received support from the Government Investment in Decarbonising Industry (GIDI) Process Heat Contestable Fund.

Fonterra Chief Operating Officer Fraser Whineray says the Co-operative is commercially focused on reducing emissions.

“There are a number of solutions we’re using to decarbonise our operations and these two projects are a good example of different technologies available.”

Once complete in early 2024 the Hautapu site will reduce our carbon emissions by a forecast 15,785 tonnes per annum – the equivalent of taking about 6,500 cars off New Zealand’s roads.

The heat pump at the Palmerston North site will convert wasted heat from the refrigeration system into a heat source. This will reduce the amount of natural gas needed for process heat. The site will also generate additional heat via a solar thermal plant.

“This GIDI co-funding will help the Co-operative progress two emission reduction projects ahead of time. It will help us continue to make progress towards our target of reducing emissions by 30% across all our manufacturing operations by 2030 (from a 2018 baseline), on the way to net zero by 2050, and transition out of coal by 2037” says Mr Whineray.

Fonterra is receiving up to \$2.5 million in co-funding to complete the work at

Hautapu and \$425,000 for the Palmerston North site project.

These projects are just two of many underway to decarbonise the Fonterra business, such as the Waitoa and Stirling sites that are in the process of installing wood biomass boilers to transition out of coal.

The Stirling wood biomass boiler was fired up for the first time in April, marking the next step on the site’s transition to be totally reliant on renewable energy for its process heat. Changing to this boiler will reduce the annual carbon emissions by 18,500 tonnes, the equivalent of taking approximately 7,700 cars off New Zealand’s roads.

The new Waitoa wood biomass boiler, due to be operational in November 2023, will reduce the site’s annual carbon emissions by approximately 48,000 tonnes, the equivalent of taking approximately 20,000 cars off New Zealand’s roads.



Our Co-op



Take a peek at Shenzhen's new space for innovation and delicious drinks

Fonterra has established a fifth application centre in China, but unlike the four, the newest one is focused on beverage applications.

Our newest facility opened on 25 April. It is based in China's southern city of Shenzhen and is equipped to design innovative solutions for the Co-op's China customers.

It's a huge milestone for Fonterra and Shenzhen is the perfect location for it, says Fonterra Greater China CEO Teh-han Chow.

"Many of China's leading beverage customers are headquartered in Shenzhen where new ideas flourish due to the city's young population and innovative environment.

"We see great potential in combining Fonterra's high-quality dairy products with the rich flavours of Chinese beverages. This fusion is sure to create some exciting new products that will delight both consumers and industry

players alike."

China is a highly competitive beverage market, with consumers constantly seeking the next best drink.

Last year, 1,434 new kinds of non-alcoholic beverages were launched in China by key tea and beverage brands.

Businesses must adapt quickly to market trends and continuously create novel products that typically combine traditional tea ingredients, dairy and fruit products.

"The Shenzhen application centre provides a new platform to explore the diverse use of Fonterra products in beverages and provide innovative application solutions to meet the local needs of Chinese consumers," says Teh-han.

"We must be more agile and continue to develop our capabilities to produce cutting-edge solutions that add value to our customers' businesses.

"As a New Zealand company deeply rooted in China for 50 years, we want to play an active role in the industry, integrate ourselves into the local innovation ecosystem, and empower the high-quality development of the whole value chain."

A team of technical experts and experienced chefs are stationed at the Shenzhen application centre. They help to create an interactive, experiential space for customers, through product development seminars, demonstrations, and virtual live teachings.

Our four other application centres are based in the cities of Shanghai, Beijing, Guangzhou and Chengdu.

While the Shenzhen application centre will be focused on beverage applications, it will also have bakery capacity. Likewise, the four other application centres have beverage application capacity.



Supplementary Information

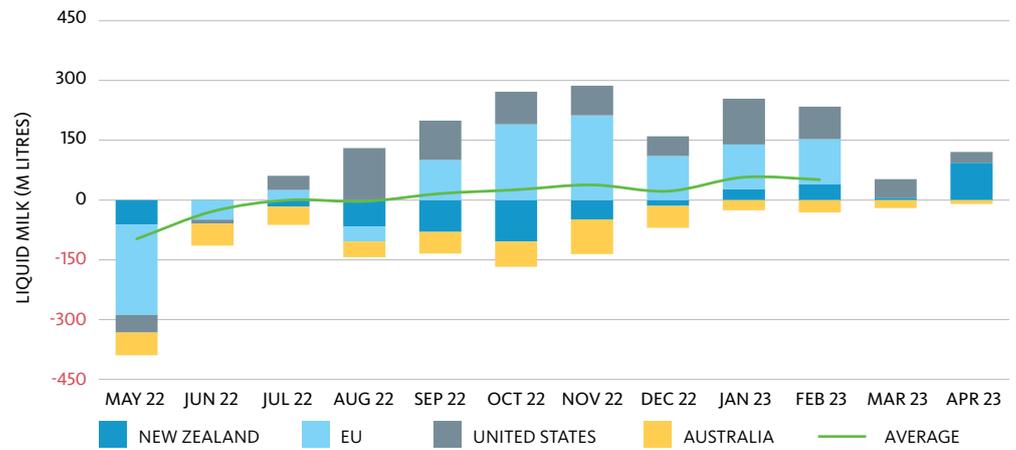
Global Dairy Market

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.

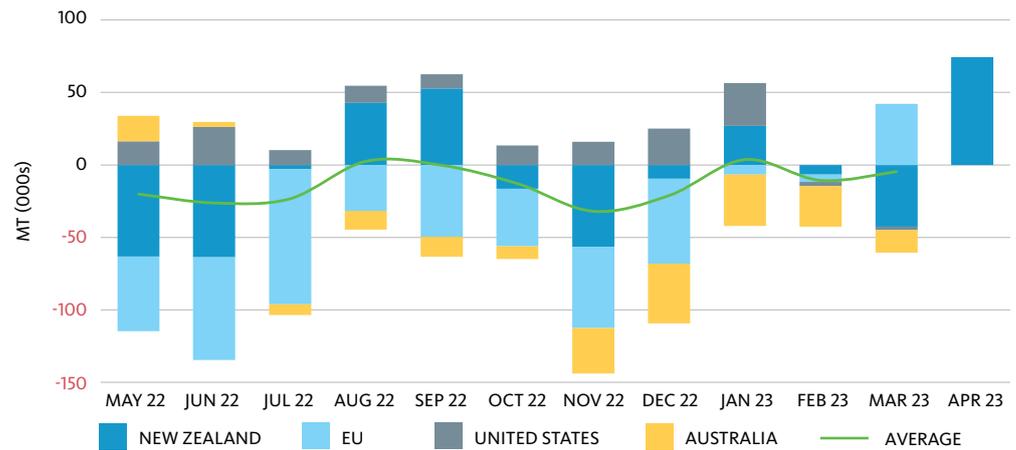
Averages are shown where data is complete for the regions presented.

PRODUCTION



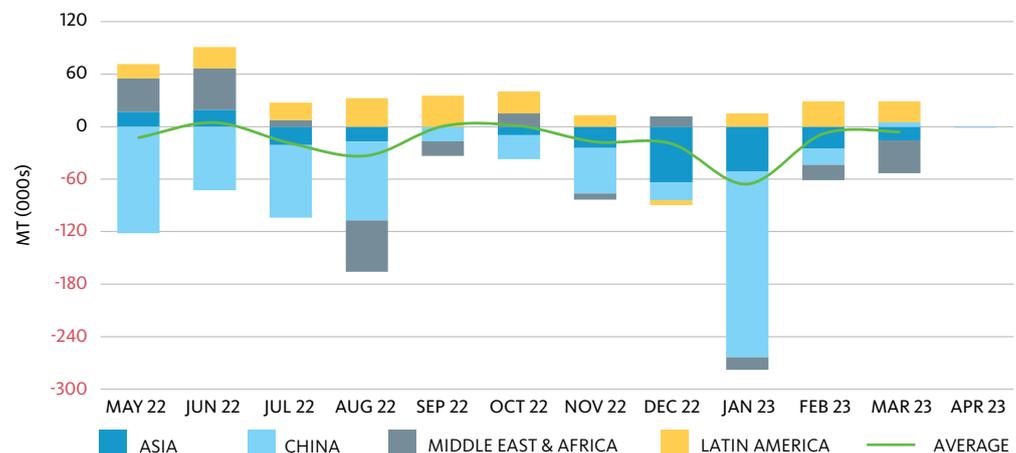
NOTE: Data for EU to February; New Zealand, US and Australia to April.

EXPORTS



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

IMPORTS



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

MILK COLLECTION (MILLION KGMS)	APRIL 2023	APRIL 2022	MONTHLY CHANGE	SEASON-TO-DATE 2022/23	SEASON-TO-DATE 2021/22	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	121.2	112.1	8.1%	1,405.1	1,408.5	(0.2%)
North Island	67.0	60.9	10.0%	825.6	833.0	(0.9%)
South Island	54.2	51.2	5.8%	579.5	575.5	0.7%
Australia	8.4	7.9	6.1%	90.8	91.1	(0.3%)

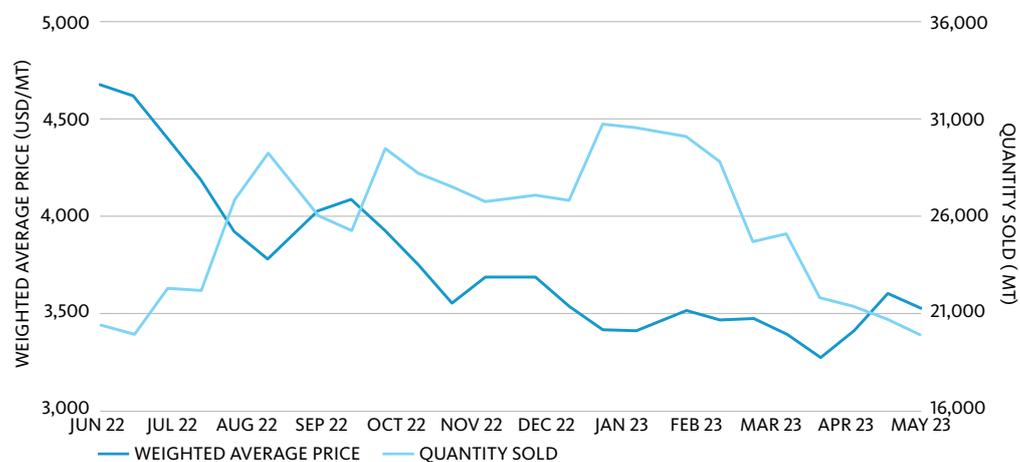
Fonterra GDT results

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

	LAST TRADING EVENT (16 MAY 2023)	YEAR-TO-DATE (FROM 1 AUGUST 2022)
Quantity Sold on GDT (Winning MT)	19,925	527,114
Change in Quantity Sold on GDT over same period last year	(16.1%)	2.6%
Weighted Average Product Price (USD/MT)	3,527	3,628
Change in Weighted Average Product Price over same period last year	(20.6%)	(17.6%)
Change in Weighted Average Product Price from previous event	(2.1%)	-

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.

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.