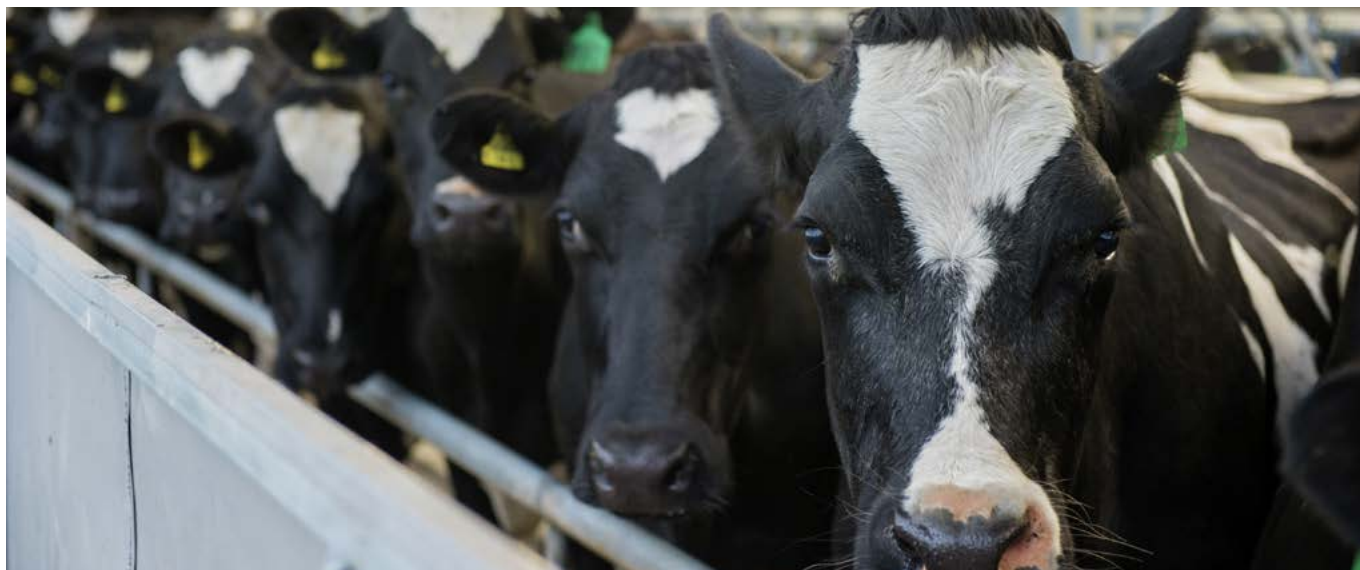


GLOBAL DAIRY UPDATE



Dairy for life



- Season to date, Fonterra New Zealand milk collection decreased 3% and Fonterra Australia milk collection decreased 3%.
- Forecast Fonterra milk collection in New Zealand for the 2016/17 season down 3%.



- Milk production has been strong in the EU and has eased in other major exporting countries.



- Dairy exports remain strong for New Zealand, Australia and Europe but the United States is down largely due to increased domestic demand.



- China, Asia and Latin America continue to see strong growth in dairy imports, while the Middle East and Africa imports have softened.



- Milk prices in our key markets.
- Fonterra factories update.
- Minimum shareholding requirement for farmer shareholders.



Farmers and Living Water
bring kiwi home.



KEY DATES



31 July 2016
End of Financial Year 2016

22 September 2016
Annual Results Announced

Early November 2016
Fonterra Annual Meetings

1 December 2016
Shareholding Compliance
Date for the 2016/17 Season



MILK PRODUCTION HAS BEEN STRONG IN THE EU AND HAS EASED IN OTHER MAJOR EXPORTING COUNTRIES

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

NEW ZEALAND

1% ↓

Production change
for the 12 months to
April 2016

Total New Zealand milk production decreased 3% in April compared to the same month last year.

In New Zealand, volumes reduce at this time of year due to seasonality of supply. Farmers are drying off before winter, however generally favourable conditions have supported late season production.

Milk production for the 12 months to April is down 1% compared to the same period the previous year.

AUSTRALIA

1% ↓

Production change
for the 12 months to
April 2016

Australia production in April decreased 3% compared to the same month last year.

Production for the 12 months to April decreased 1% compared to the same period the previous year. Production has been impacted by dry conditions across many dairying regions, especially Victoria, and the low milk price environment.

EUROPEAN UNION

4% ↑

Production change
for the 12 months to
March 2016

EU production in March increased 7% compared to the same month last year.

Production for the 12 months to March increased 4% compared to the same period the previous year. This is despite local milk prices continuing to decrease and being below the same period last year.

The major contributors to production growth are Ireland up 19%, Belgium up 14%, the Netherlands up 12%, Denmark up 6% and Poland up 5%.

The EU Commission continues to forecast milk deliveries to increase only 1.4% in calendar year 2016.¹

USA

1% ↑

Production change
for the 12 months to
April 2016

US production in April increased 1% compared to the same month last year.

Milk production for the 12 months to April has increased 1% compared to the same period the previous year.

The United States Department of Agriculture is forecasting milk production to increase 2% in calendar year 2016.²

1 EU Commission Short-Term Outlook – Winter 2016.

2 World Agricultural Supply and Demand Estimates Report – May 2016.



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

DAIRY EXPORTS REMAIN STRONG FOR NEW ZEALAND, AUSTRALIA AND EUROPE BUT THE UNITED STATES IS DOWN LARGELY DUE TO INCREASED DOMESTIC DEMAND

NEW ZEALAND

3%↑

Export change for the 12 months to April 2016

Total New Zealand dairy exports in April increased 13% compared to the same month last year.

Exports increased across all of the major exporting products, excluding SMP and cheese.

For the 12 months to April exports remain up only 3%, or 87,000 MT, compared to the same period the previous year. This increase is driven by cheese up 13% and AMF up 8%.

AUSTRALIA

6%↑

Export change for the 12 months to March 2016

Australia dairy exports in March increased 2% compared to the same month last year, driven by fluid and fresh dairy up 21%. This was the only major product to increase compared to the same month last year.

Exports for the 12 months to March increased 6%, or 41,000 MT, compared to the same period the previous year. Over this period, cheese is up 13%, SMP up 12%, and fluid and fresh dairy up 11%.

EUROPEAN UNION

11%↑

Export change for the 12 months to February 2016

EU dairy exports increased 16% in February compared to the same month the previous year, adjusting for the additional day in February 2016. Not adjusting for this, exports increased 20%.

Exports increased 11%, or 476,000 MT, for the 12 months to February compared to the same period last year. The largest movers were fluid and fresh dairy up 24%, whey powder up 12%, cheese up 5% and infant formula up 4%.

USA

6%↓

Export change for the 12 months to March 2016

US dairy exports in March decreased 22% compared to the same month last year, with decreases seen across all major dairy categories.

Exports for the 12 months to March decreased 6%, or 132,000 MT compared to the same period last year. This is a result of whey powder down 18% and cheese down 16%.

This decrease in exports is largely due to increased domestic demand.



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

CHINA, ASIA AND LATIN AMERICA CONTINUE TO SEE STRONG GROWTH IN DAIRY IMPORTS, WHILE THE MIDDLE EAST AND AFRICA IMPORTS SOFTEN

LATIN AMERICA

12%↑

Import change for 12 months to February 2016

Latin America¹ dairy import volumes increased 20% in February compared to the same month the previous year. Increases were seen across all major dairy categories, excluding fluid and fresh dairy which decreased 7%.

Imports for the 12 months to February remain strong, increasing 12%, or 177,000 MT compared to the same period last year. Increases were seen across all major dairy categories, in particular milk powders, with WMP up 26% and SMP up 22%, with cheese up 18%.

ASIA

7%↑

Import change for 12 months to February 2016

Asia (excluding China) dairy import volumes increased 9% in February compared to the same month the previous year. Increases of over 5% were seen across each of the major dairy categories.

Imports for the 12 months to February increased 7%, or 256,000 MT, compared to the same period the previous year. This was driven by increases across most major dairy categories with SMP and cheese continuing to provide the largest increases: SMP up 11% and cheese up 9%.

MIDDLE EAST & AFRICA

2%↓

Import change for 12 months to February 2016

Middle East and Africa² dairy imports decreased 11% in February compared to the same month the previous year. This result was largely due to powders with WMP down 32% and SMP down 31%. In addition cheese was down 18%.

For the 12 months to February, imports decreased 2%, or 83,000 MT, compared to the same period last year. This decrease is primarily a result of SMP down 18%, or 101,000 MT, and WMP down 4%, or 29,000 MT, partially offset by fluid and fresh milk increasing 7%.

CHINA

18%↑

Import change for 12 months to April 2016

China dairy imports increased 9%, or 15,000 MT, in April compared to the same month last year, with a significant increase seen in fluid and fresh dairy, up 80% or 27,000 MT.

Imports for the 12 months to April have now increased 18%, or 333,000 MT, compared to the same period last year with fluid and fresh dairy up 60%, infant formula up 48% and whey powder up 19%.

¹ Excludes Venezuela and includes estimate for Peru in February and Nicaragua in January and February.

² Includes estimate for Algeria from December 2015, and Egypt and Morocco in January and February.

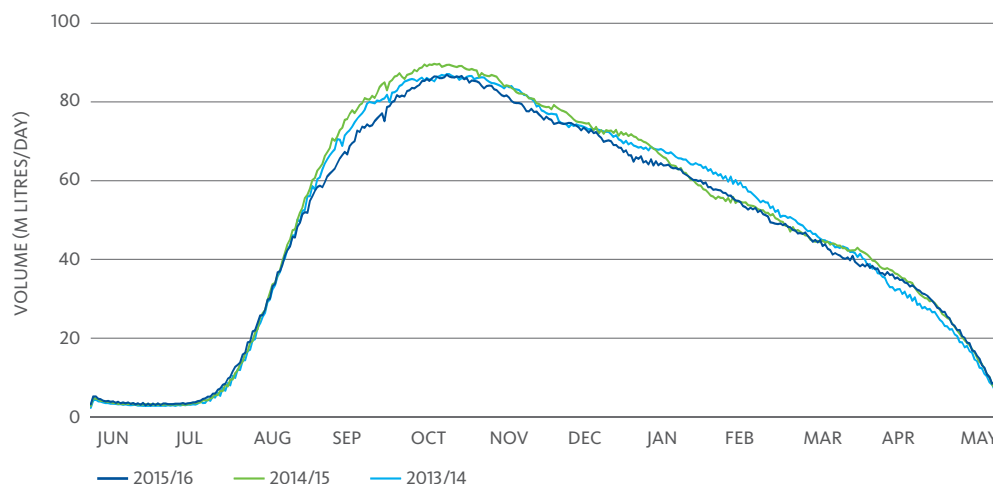
OUR MARKETS

FONTERRA MILK COLLECTION 2015/16 SEASON



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

Fonterra's milk collection across New Zealand in May was 6% higher than May last season.

Favourable weather conditions, particularly throughout the South Island, supported strong growth in late season milk production.

For the full 2015/16 season, milk collection reached 1,566 million kgMS, 3% behind the 2014/15 season.

Lower milk collections were largely a result of the low milk price environment, with farmers reducing stocking rates and supplementary feeding to reduce costs.

NORTH ISLAND

5% ↓

Decrease for the 2015/16 season compared to the previous season

North Island milk collection in May reached 32 million kgMS, 1% higher than May last season.

SOUTH ISLAND

1% ↑

Increase for the 2015/16 season compared to the previous season

South Island milk collection in May reached 35 million kgMS, 10% higher than May last season.

AUSTRALIA

3% ↓

Decrease for the season to date from 1 July to 31 May compared to last season

Australia milk collection in May reached 7.7 million kgMS, 18% lower than May last season.

Production has been heavily impacted by the reduction in Australian milk prices to align with global dairy prices.

Milk collection across Australia for the 11 months to 31 May reached 115 million kgMS, 3% behind the same period last season.

Forecast Fonterra Milk Collection Across New Zealand

1,523M
KGMS

Decrease of 3% for the 2016/17 season

This reflects the likely impact of farmers using more traditional practices to manage their businesses within the limits of an ongoing low milk price.

Farmers have reduced stocking rates and supplementary feeding over the past two seasons to help lower costs.

While it is very early in the season to accurately forecast the total milk collection, we are required to provide a new season forecast under DIRA.

We will continue to provide updates as the season progresses.

OUR MARKETS

DAIRY COMMODITY PRICES



Last trading event

15 June 2016:

The **Fonterra volume sold was 21,408 MT**, with Fonterra's weighted average prices increasing 0.5% compared to the last event.

0.0 %

Change in GDT Price Index from previous event

USD **2,339**

GDT Average winning price (USD/MT, FAS)

Compared to the **last trading event:**

CHEDDAR

6.9 % ↑

USD 2,882/MT

BUTTER

5.3 % ↑

USD 2,910/MT

AMF

4.4 % ↑

USD 3,619/MT

SMP

1.5 % ↑

USD 1,901/MT

RENNET CASEIN

0.4 % ↓

USD 5,116/MT

WMP

4.5 % ↓

USD 2,118/MT

BMP

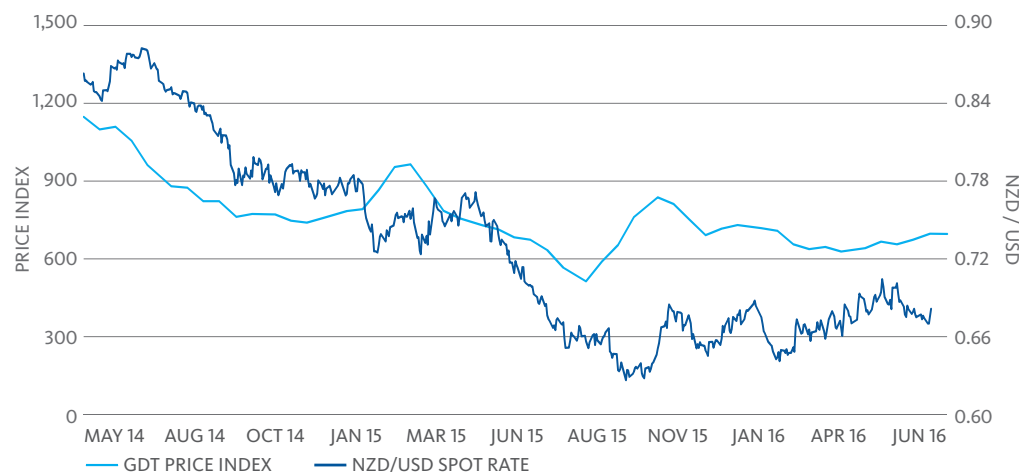
6.6 % ↓

USD 1,695/MT

Dairy commodity prices and New Zealand dollar trend

To view a table that summarises the latest results and provides a snapshot of the rolling year-to-date results –

In May the New Zealand dollar fell against the US dollar, reversing most of the gains seen over the previous two months.



► The next trading event will be held on **5 July 2016**. Visit www.globaldairytrade.info for more information.

OUR PERFORMANCE

MILK PRICES IN OUR KEY MARKETS



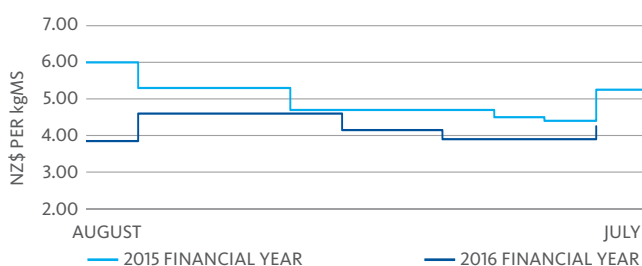
The milk prices in our key markets where we source milk such as New Zealand, Australia, Chile and China can influence our business performance.

New Zealand, Asia and Greater China source their product from New Zealand so in these markets the New Zealand Farmgate Milk Price is a key driver of input costs.

Our Chilean and Australian businesses largely source product locally so the local milk price is more relevant to input costs in these markets.

In China, the local milk price gives an indication of the price we receive for milk produced and sold by our farming operations in China.

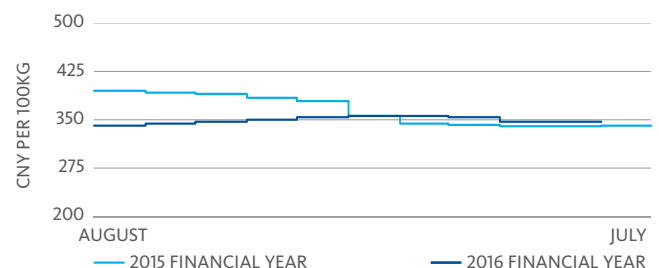
NEW ZEALAND FONTERRA¹



The 2015/16 season forecast Farmgate Milk Price in New Zealand increased at the start of the 2016 financial year (FY16) but has since decreased following continued pressure on globally traded dairy prices. It remains below the same period last year.

The opening 2016/17 season forecast Farmgate milk price of \$4.25 per kgMS, for any milk supplied from June.

CHINA (LOCAL AVERAGE)³

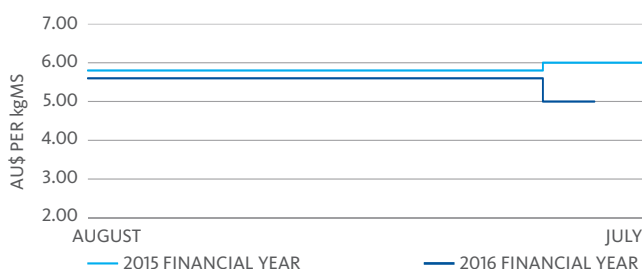


Milk prices in China in FY16 have gradually increased since April last year. However, in recent months the price has eased.

The milk price is slightly above the same month last year but it remains at a level that continues to

impact profitability across the market. Local prices are influenced by a combination of global dairy prices and local conditions.

AUSTRALIA FONTERRA²



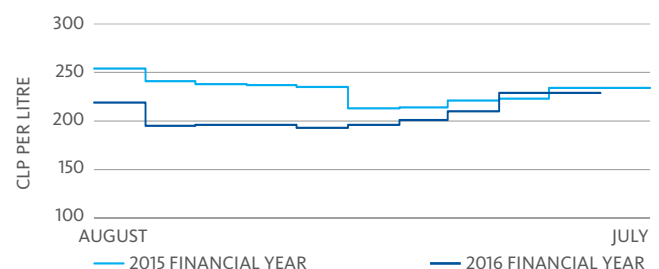
The Fonterra Australia milk price in FY16 remains lower than last year, recently revised down to \$5.00 per kgMS, reflecting challenges in the global market and the reality of continuing low dairy prices

The milk price is influenced by a combination of global

and domestic sales, and is set by the performance of these products, weighted towards cheese and butter.

The milk price has a greater skew towards domestic consumption and the prices of these products, which have been less volatile than milk powders.

CHILE FONTERRA



The Soprole milk price in Chile has continued to strengthen in FY16, recently increasing above the same time the previous year.

While local milk prices tend to lag those of the global dairy market, prices are being pushed up by high exchange

rates and strong competition for milk in the southern region of the country.

¹ New Zealand production season starts on 1 June, ending on 31 May.

² Australia production season starts on 1 July, ending on 30 June.

³ Source: <http://www.cclai.it/en/index.php>

OUR PERFORMANCE

FONTERRA FACTORIES UPDATE



Distribution Facility

We recently announced that Auckland Airport will be building a new state-of-the-art distribution centre for our consumer business in New Zealand.

The new 11,000m² facility near Auckland Airport will meet the specific needs of Fonterra Brands New Zealand and be occupied under a long-term lease.

The new facility will consolidate seven warehouses into one, optimising storage and reducing complexity in freight movements.

Having a single dispatch point in Auckland for all our dairy products, with the exception of ice cream, will improve the efficiency

of our North Island supply chain operation, reducing movements on roads and improving service levels for customers.

Lichfield

Our Lichfield site has been operating in south Waikato for the past 20 years making cheese and turning the whey into ingredients for use in nutritional and energy drinks.



We are doubling the site's processing capacity with a new high efficiency whole milk powder dryer and supporting infrastructure.

The new dryer will be capable of processing 4.4 million litres of milk per day and is due to be completed in time for the 2016/17 season peak.

Progress to date includes construction of the main building, which houses the dryer; installation of the boiler, used to heat steam for the dryer; construction of the cone and chamber, which forms the powder drier; and installation of the main process roof which is underway and can only be completed once the dryer has been fitted into place.

Stanhope

The Stanhope cheese factory is a key part of our value-add strategy in Australia.

The \$141 million investment in a state-of-the-art cheese factory, following the fire last year, will have capacity to produce 50% more than the old plant and will supply whey to our nutritional business.

The foundations are laid and the building is starting to take shape, with the first concrete walls raised in late May.



This build will involve around 300 workers and is expected to be completed in mid-2017.

Minimum Shareholding Requirements for Farmer Shareholders

At the commencement of each season (1 June), or shortly after, farmers are advised of their minimum shareholding requirements for that season. They need to be compliant by 1 December.

A farmer shareholder's minimum shareholding requirement is generally based on the average of their farm's prior three seasons' actual production, adjusted for any milk supplied under contract.

The opening 2016/17 aggregate minimum shareholding, across Fonterra, increased to 1,426 million shares, five million higher than the

opening 2015/16 aggregate minimum shareholding.

This increase is largely a result of the 2012/13 season's production, which was

impacted by widespread drought, now being excluded from the rolling three-season average calculation.

CURRENT AND FORECAST SHAREHOLDING REQUIREMENTS

FIGURES IN MILLIONS UNLESS OTHERWISE STATED

	2015/16 SEASON OPENING BALANCE AT JUNE 2015	2016/17 SEASON OPENING BALANCE AT JUNE 2016
Minimum shareholding requirement	1,421	1,426
Vouchers that count towards the minimum shareholding	53	49
Dry shares held by farmer shareholders ¹	122	118
Units issued by the Fonterra Shareholders' Fund	108	108
Total shares on issue	1,599	1,603
Dry shares held by farmer shareholders (% of shares on issue)	7.6%	7.3%
Fonterra Shareholders' Fund size (% of shares on issue)	6.9%	6.7%

¹ Dry shares are calculated as shares on issue less minimum shareholding less units issued by the Fonterra Shareholders' Fund, plus vouchers.



Farmers and Living Water bring kiwi home

More than 250 people turned out in Northland recently to welcome home 12 kiwi with help from Fonterra farmers and the Living Water team.

It was the result of four years' hard work after farmers decided to do something about the declining kiwi population in Tanekaha, Northland.

Ninety-five per cent of the kiwi were not surviving because stoats and other predators were eating the eggs. For those that did survive, their breeding life

was cut from 50 to 13 years because they were being killed by dogs.

Farmers formed the Tanekaha Community Pest Control Area, and since then have been working to get rid of predators on their farms that were killing kiwi.



Local farmers said it was heart-breaking to see the kiwi population in such decline. They decided it was up to them to turn this around and get kiwi back.

Now the land is safe for kiwi to roam and lay their eggs again.

Fonterra's Living Water partnership with the Department of Conservation helped with the cost of the transfer of the kiwi as well as transmitting devices to keep track of their movements.

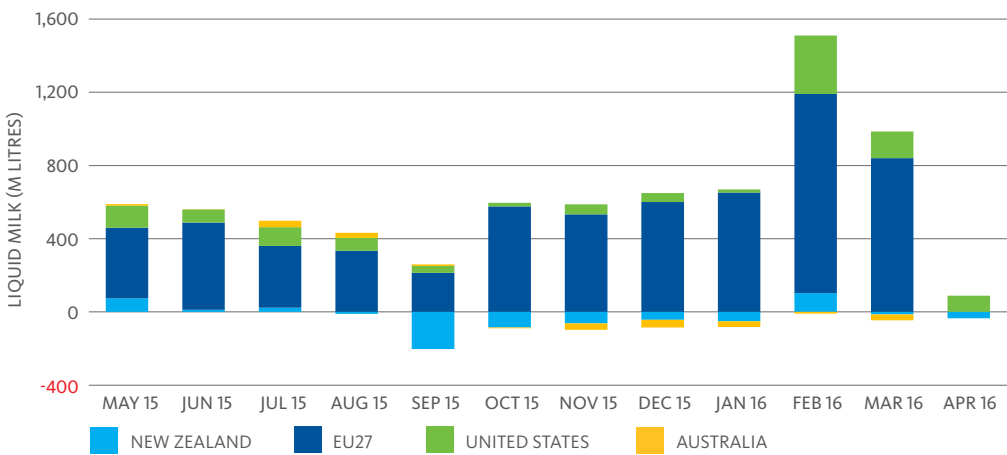
SUPPLEMENTARY INFORMATION

Global Dairy Market

The charts on the right illustrate the year-on-year changes in production, exports and imports for a range of countries that are important players in global dairy trade.

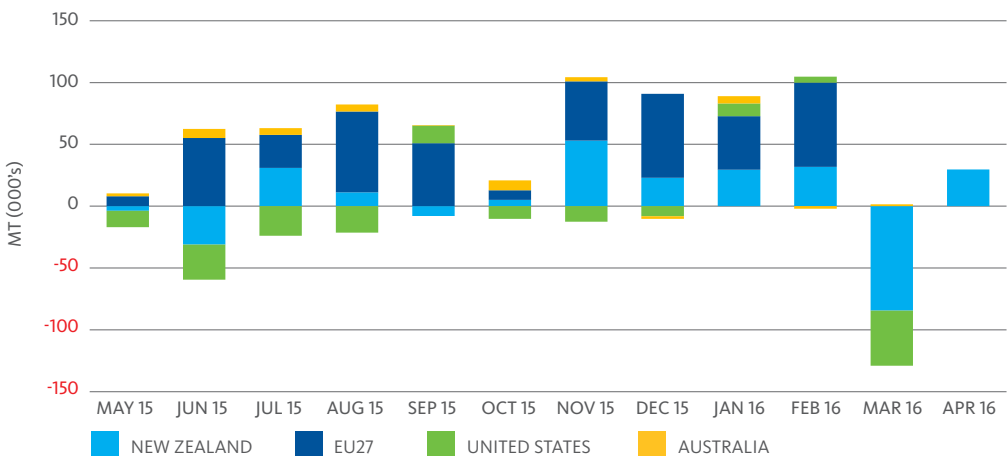
The absolute size of the bars represents the change in production, exports or imports, relative to the same period the previous year.

PRODUCTION



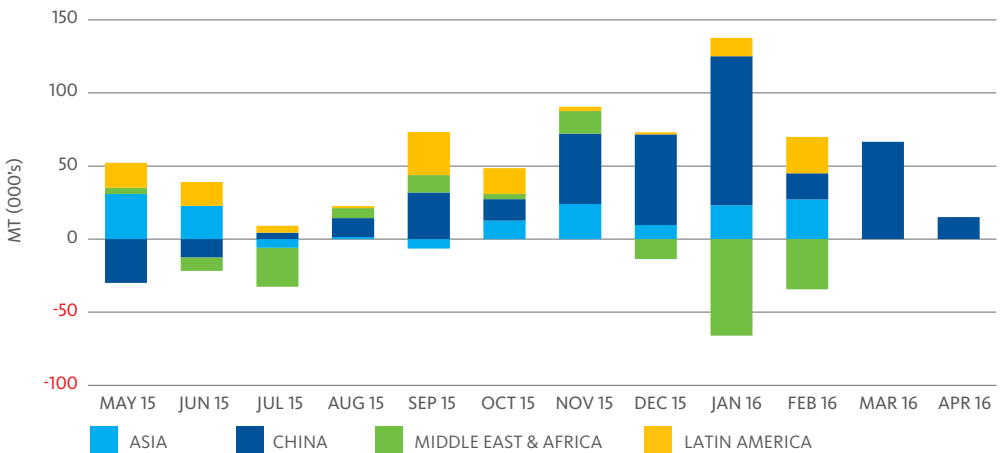
SOURCE: Government milk production statistics/GTIS trade data/Fonterra analysis.

EXPORTS



SOURCE: Government milk production statistics/GTIS trade data/Fonterra analysis.

IMPORTS



SOURCE: Government milk production statistics/GTIS 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)	MAY 2016	MAY 2015	MONTHLY CHANGE	SEASON- TO-DATE 2015/16	SEASON- TO-DATE 2014/15	SEASON- TO-DATE CHANGE
Total Fonterra New Zealand	67.0	63.3	5.9%	1,566.4	1,614.2	(3.0%)
North Island	32.0	31.6	1.5%	953.8	1,006.7	(5.3%)
South Island	35.0	31.8	10.3%	612.6	607.5	0.8%
Fonterra Australia	7.7	9.4	(18.0%)	115.3	118.8	(3.0%)

GDT results

This table summarises the latest GDT results and provides a snapshot of the rolling year-to-date results.

	LAST TRADING EVENT (15 JUNE 2016)	YEAR-TO-DATE (FROM 1 AUGUST 2015)
Fonterra Quantity Sold on GDT (Winning MT)	21,408	585,664
GDT Average Winning Price (USD/MT, FAS)	2,339	2,335
Change in GDT Price Index over same period last year	3.4%	(14.0%)
Change in GDT Price Index from previous event	0.0%	–

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 and Fresh Dairy

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 Price Index

All GDT price indices are chain-linked Fisher indices using winning quantities and winning prices. For the period prior to April 2010, the GDT Price Index and the AMF, SMP and WMP price indices use GDT prices and quantities where available, and USDA Dairy Market News prices and GTIS export volumes elsewhere. USDA Western Europe average price for butter oil is used for AMF prior to December 2009, USDA Oceania average price for SMP is used prior to April 2010 and USDA Oceania average price for WMP is used prior to August 2008.

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.