

NOVEMBER 2022

Global Dairy UPDATE



- Monthly production declines in New Zealand and Australia. 12-month production declines in US, EU, New Zealand and Australia.

- Fonterra announces divestment of Chile business.



- New Zealand monthly exports flat. Australia and EU monthly exports decline. US exports continue to increase.



- Another sustainability success for Fonterra Te Awamutu.
- Fonterra confirms timeline for capital structure implementation.



- Latin America imports continue to grow. China, Middle East & Africa and Asia monthly imports decline.



- Fonterra New Zealand milk collections in October were 200.6 million kgMS, down 3.1% on the prior season.
- Fonterra Australia milk collections for October were 12.2 million kgMS, up 2.7% on the prior season.

- The next issue of the Global Dairy Update will be published on 31 January 2023.

Key Dates



December to February 2023
Application Period to
Supply Fonterra

8 December 2022
FY23 Q1 Business Update

March 2023
FY23 Interim Results
Announcement



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

Monthly production declines in New Zealand and Australia. 12-month production declines in US, EU, New Zealand and Australia

NEW ZEALAND

3.4%↓

Change for October 2022 compared to October 2021

4.3%↓

Change for the 12 months to October 2022

New Zealand¹ milk production was down 3.4% on a litres basis, (down 2.9% on milk solids basis) in October compared to the same period the year prior.

Cold, wintry conditions in the first part of October contributed to a lower production peak this season. More favourable warmer and drier conditions were observed towards the end of October.

New Zealand milk production for the 12 months to October was down 4.3% on the year prior.

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

AUSTRALIA

6.2%↓

Change for September 2022 compared to September 2021

4.5%↓

Change for the 12 months to September 2022

Australia milk production decreased 6.2% in September compared to the same period the year prior.

Record rainfall and flooding events across eastern and southern Australia in the spring flush continued to impact production in FY23.

Australia milk production for the 12 months to September was 4.5% lower than the year prior.

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

EUROPEAN UNION

0.9%↑

Change for September 2022 compared to September 2021

0.6%↓

Change for the 12 months to September 2022

EU milk production²

increased 0.9% in September compared to the same period the year prior.

Following summer droughts, improved weather conditions had a favourable impact on pastures and production.

In particular, production increases were observed in the Netherlands, Germany, Poland and Belgium, and largely offset by declines in Spain.

EU milk production for the 12 months to September declined 0.6% compared to the same period the year prior, driven by declines in Germany, France and the Netherlands and partially offset by increases in Poland and Austria.

USA

1.2%↑

Change for October 2022 compared to October 2021

0.1%↓

Change for the 12 months to October 2022

US milk production

increased by 1.2% in October, compared to the same period the year prior.

This is the fourth consecutive month of increases following eight months of year-on-year production declines.

Herd sizes continued to grow and are supporting the increase in production.

Milk production for the 12 months to October declined 0.1% compared to the same period the year prior.

¹ New Zealand production is measured in litres.

² Excludes UK.



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

New Zealand monthly exports flat. Australia and EU monthly exports decline. US exports continue to increase

NEW ZEALAND

0.0%

Change for October 2022 compared October 2021

5.0%↓

Change for the 12 months to October 2022

Total New Zealand dairy exports were flat in October compared to the same period the year prior.

A year-on-year increase in exports of butter, SMP and AMF was offset by lower exports of cheese and WMP.

Exports for the 12 months to October were down by 5.0%, or 177,837 MT, on the previous comparable period. This was primarily driven by decreases in WMP and cheese and partially offset by increases in AMF, fluid milk product and butter.

AUSTRALIA

15.3%↓

Change for September 2022 compared to September 2021

10.5%↑

Change for the 12 months to September 2022

Australia dairy exports decreased 15.3%, or 11,350 MT, in September compared to the same period the year prior.

The decline was primarily driven by lower exports to China of fluid milk products, as demand remains constrained by lockdown restrictions. Cheese and WMP exports also declined year-on-year and were partially offset by an increase in other powders.

Exports for the 12 months to September were up 10.5%, or 86,820 MT, on the previous comparable period.

This was predominantly driven by increases in fluid milk products, other powders and SMP.

EUROPEAN UNION

19.0%↓

Change for September 2022 compared to September 2021

8.8%↓

Change for the 12 months to September 2022

EU dairy exports decreased 19.0%, or 112,657 MT, in September compared to the same period the year prior and are strongly impacted by lower demand from China.

Lower exports volumes were driven by decreases in fluid milk products shipments from Germany, France and Belgium and cheese from France, Denmark and Germany.

Exports for the 12 months to September were down 8.8%, or 640,116 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, MPC and cultured products.

USA

4.3%↑

Change for September 2022 compared to September 2021

3.9%↑

Change for the 12 months to September 2022

US dairy exports increased 4.3%, or 9,646 MT, in September compared to the same period the year prior.

Stronger demand for lactose by China and New Zealand, WPC and whey by China and Canada are driving this increase. This is partially offset by lower shipments of fluid milk products.

Exports for the 12 months to September were up 3.9% or 106,281 MT on the previous comparable period, driven by lactose, cheese and butter, and partially offset by declines in SMP.



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

Latin America imports continue to grow. China, Middle East & Africa and Asia monthly imports decline

LATIN AMERICA

12.5%↑

Change for September 2022 compared to September 2021

6.7%↑

Change for the 12 months to September 2022

Latin America dairy import volumes¹ increased 12.5%, or 21,105 MT, in September compared to the same period the year prior.

The increase was driven by stronger demand for WMP by Brazil, and for SMP by Mexico and Brazil.

Imports for the 12 months to September were up 6.7% compared to the same period the year prior, driven by higher volumes of cheese, SMP and whey and partially offset by declines in WMP.

ASIA

9.2%↓

Change for September 2022 compared to September 2021

0.2%↓

Change for the 12 months to September 2022

Asia (excluding China) dairy import volumes¹ decreased 9.2%, or 35,892 MT, in September compared to the same period the year prior.

The decrease was driven by lower demand for whey and infant formula by Malaysia, fluid milk products by the Philippines and lactose by Pakistan.

Imports for the 12 months to September were down 0.2%, or 7,717 MT, compared to the same period the year prior, driven by lower volumes of fluid milk products, WMP and cheese and partially offset by increases in WPC and cultured products.

MIDDLE EAST & AFRICA

26.8%↓

Change for September 2022 compared to September 2021

8.0%↑

Change for the 12 months to September 2022

Middle East and Africa dairy import volumes¹ decreased 26.8%, or 116,936 MT, in September compared to the same period the year prior.

The decrease was driven by lower volumes of SMP and WMP to Algeria, likely due to the timing of delivery of tenders and to Nigeria, likely due to economic challenges. Fluid milk products to the United Arab Emirates and Kenya also declined.

Imports for the 12 months to September were up 8.0%, or 384,113 MT, compared to September the year prior, driven by increases in SMP, cheese and whey and butter.

CHINA

10.1%↓

Change for October 2022 compared to October 2021

15.9%↓

Change for the 12 months to October 2022

China dairy import volumes decreased by 10.1%, or 27,145 MT, in October compared to the same period the year prior.

Import volumes continue to decline year-on-year as a result of growing domestic production and ongoing lockdown restrictions impacting consumption.

Lower volumes of SMP and WMP from Australia and fluid milk products from Germany were partially offset by an increase in whey powder from the US and infant formula from the Netherlands and New Zealand.

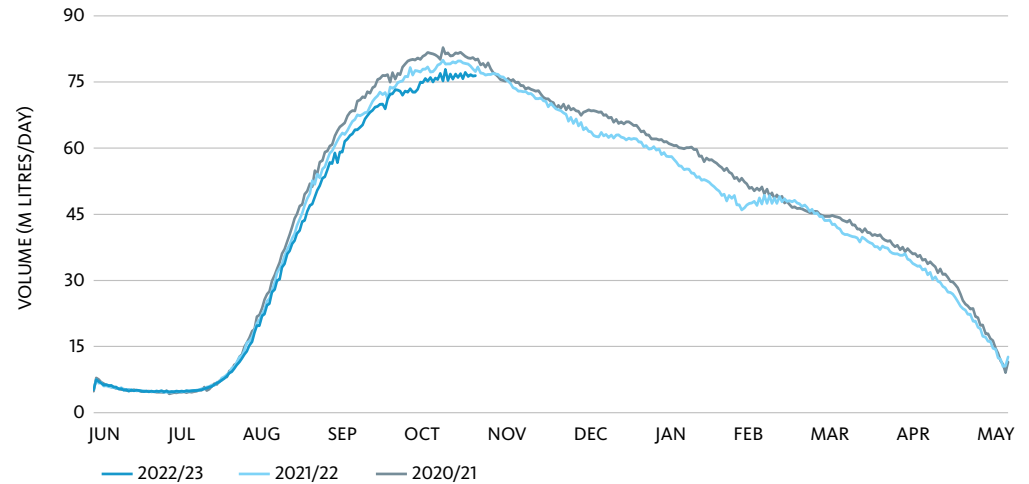
Imports for the 12 months to October were down 15.9%, or 661,406 MT, driven by fluid milk products, whey, WMP and SMP.

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

3.1%↓

Change for October 2022 compared to October 2021

3.6%↓

Season-to-date 1 June to 31 October

Fonterra's New Zealand collections for October were 200.6 million kgMS, 3.1% lower than last October.

Season-to-date collections were 492.7 million kgMS, 3.6% behind last season.

October weather was mixed with cold, wet weather at the start of the month replaced with more favourable pasture growing conditions during the second half of the month, resulting in flattening milk production after peak.

The inclusion of off-GDT sales contributed approximately 3 cents per kgMS to the Milk Price for the 2022/23 season from 1 June 2022 to 31 October 2022.

NORTH ISLAND

5.7%↓

Change for October 2022 compared to October 2021

5.8%↓

Season-to-date 1 June to 31 October

North Island milk collections in October were 116.4 million kgMS, 5.7% behind October last season.

Season-to-date collections were 315.1 million kgMS, 5.8% behind last season.

Lower sunshine hours and the continued wet weather in the beginning of the month led to a lower than optimal pasture cover.

There were some signs of improvement in pasture growth and weather conditions in the North Island occurring towards the end of the month.

SOUTH ISLAND

0.8%↑

Change for October 2022 compared to October 2021

0.7%↑

Season-to-date 1 June to 31 October

South Island milk collections in October were 84.1 million kgMS, 0.8% higher than last October.

Season-to-date collections were 177.6 million kgMS, 0.7% ahead of last season.

Periods of cold weather in the central South Island were offset by strong pasture growing conditions in the lower South Island.

Some improved warm, dry conditions followed across South Island regions towards the end of the month.

AUSTRALIA

2.7%↑

Change for October 2022 compared to October 2021

0.7%↓

Season-to-date 1 July to 31 October

Fonterra's Australia collections for the fourth month of the new season were 12.2 million kgMS, a 2.7% increase on October last season.

Farm and third-party collections increased year-on-year 0.1 million kgMS and 0.2 million kgMS respectively. This was driven by increased milk supply recruitment this season.

Season-to-date collections reached 34.3 million kgMS, 0.7% behind last season.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at
last trading event

15 November 2022:

3.7%↑

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

USD 3,688

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

26.8⁰⁰⁰' MT

Fonterra product quantity
sold on GDT

WMP

3.6%↑

USD 3,397/MT

SMP

3.4%↑

USD 3,072/MT

AMF

2.7%↑

USD 5,711/MT

BUTTER

0.8%↓

USD 4,829/MT

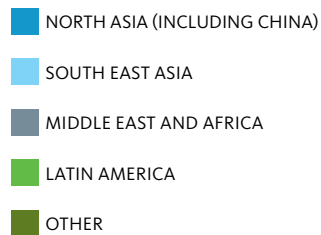
CHEDDAR

1.2%↓

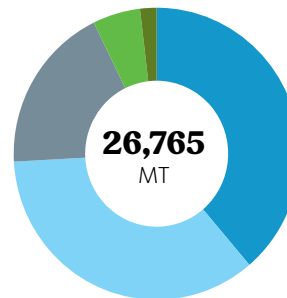
USD 4,746/MT

Fonterra GDT sales
by destination:

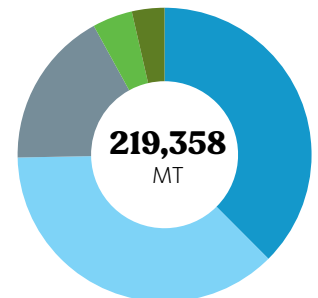
To view more information,
including a snapshot of the
rolling year-to-date results –



LATEST AUCTION



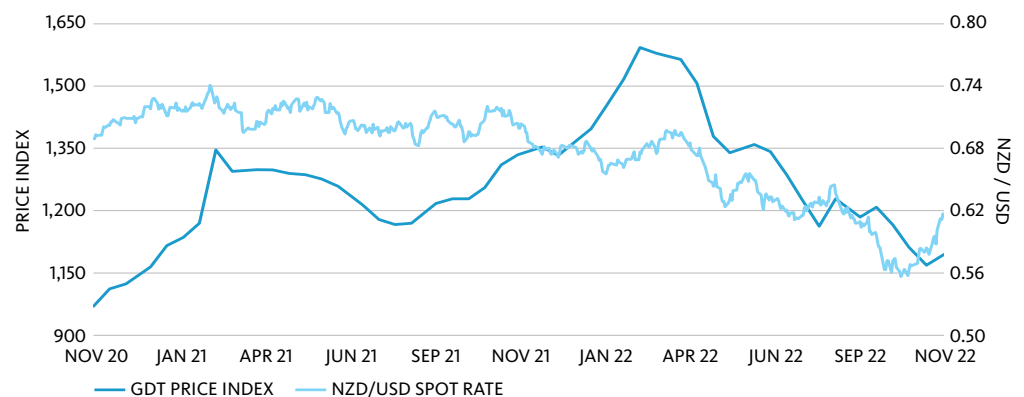
**FINANCIAL
YEAR-TO-DATE**



► The next trading event will be held on 6 December 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Financial markets concerns
over inflation and interest rate
increases, and their outlook for a
global economic downturn eased
somewhat over the past month.
This improving backdrop allowed
equity markets to rise and the
USD to retreat from its October
highs – the NZD/USD exchange
rate lifted to above 61 US cents.



Our Performance



Fonterra announces divestment of Chile business



Fonterra has announced the divestment of its Chilean Soprole business. The divestment comprises a number of transactions that result in aggregate consideration of 591.07 billion Chilean Pesos (approximately \$1.055 billion¹).

Fonterra CEO, Miles Hurrell, said that the divestment process for the Soprole business formally commenced in April 2022, following the launch of Fonterra's strategy to 2030.

"A key pillar of our strategy is to focus on New Zealand milk. Soprole is a very good business but does not rely on New Zealand milk or expertise. We are now at the end of the divestment process and have agreed to sell Soprole to Gloria Foods - JORB S.A. (Gloria Foods)."

Gloria Foods is a consumer dairy market leader in Peru, with operations in Bolivia, Puerto Rico, Argentina, Colombia and Uruguay. Fonterra and Gloria Foods have a long-standing commercial relationship in South America.

The divestment comprises the sale of shares in a Fonterra owned holding company. Proceeds received by Fonterra at completion from the sale of shares will be subject to relevant

adjustments including capital gains tax, working capital and net debt adjustments at closing, foreign exchange hedging costs, and other transaction related costs. The aggregate consideration also includes the receipt by Fonterra, prior to completion, of dividends from Soprole and inter-company debt owing to Fonterra, which will be repaid at completion.

The divestment is subject to a number of conditions. The material conditions are receipt of regulatory approvals (including from the competition authority in Chile) and commencement of an irrevocable public tender offer process in Chile for the outstanding shares in Soprole not already owned by Fonterra. Satisfaction of conditions is expected to take approximately six months.

Mr Hurrell said that Fonterra has a long history in Chile and is pleased to have reached agreement with Gloria Foods, which also has a proud dairy history in South America. Fonterra is delighted to pass on the Soprole business to a committed new owner with a strong regional focus on growth. Soprole's success over many years and its market-leading position across a number of dairy categories in Chile,

has been built on the dedicated focus of Soprole's management team and staff, and the support of its supplying farmers.

Fonterra remains committed to targeting a significant capital return to our shareholders and unitholders. The Fonterra Board intends to make a final decision on the amount and timing of any capital return once the sale agreement is unconditional, cash proceeds are received in New Zealand and having regard to other relevant factors including Fonterra's debt and earnings outlook at such time.

Fonterra's previously announced FY23 earnings guidance will continue to reflect only the underlying performance of the Soprole business during the pre-completion period. Fonterra will provide an update on the overall impact of its divestment programme as part of its FY23 financial reporting.

¹ Assumes CLP to NZD foreign exchange rate of 560.

Another sustainability success for Fonterra Te Awamutu

As Fonterra works to prioritise the reduction or re-use of water at its manufacturing sites, the Co-op is investing \$51 million to improve wastewater processing at their Te Awamutu site in the Waikato.

Fonterra Te Awamutu Operations Manager Russell Muir says the extensive wastewater upgrade is a positive step for the site and is key to the Co-op's long-term sustainability goals.

"Reducing water use and improving wastewater at our manufacturing sites is a key part of our long term strategy, and over the next eight years the Co-op will invest around \$600 million on improvements across our sites. Our target is to improve wastewater management at our manufacturing sites by taking an industry-leading approach."

Construction on the project began last year, and while COVID-19 has presented some challenges over the course of the project, stage one construction has just been finished and environmental performance has already significantly improved.

This is the second major sustainability project the site has undertaken in recent years. Earlier this year it completed its first season on wood pellets rather than coal – helping the Co-op reduce its carbon emissions by more

than 11% last year.

The upgrade at Te Awamutu is one of the first wastewater projects being run by a newly established Wastewater Community. This new community is a partnership made up of key industry partners including PDP, Babbage, Beca, Vertex Engineers, Aurecon, Tetra Pak, Fulton Hogan and TEG.

Over the next 10 years, these partners will work together to share knowledge and expertise to make improvements on subsequent projects. This will ultimately help the Co-op to deliver on its environmental promises, by improving its existing wastewater management and performance.

Fonterra General Manager Water & Environment Ian Goldschmidt says the Co-op believes that an industry-leading approach to wastewater quality requires a truly collaborative attitude.

"We know that we will need to do things differently to achieve our goals and are excited to have developed this cross-industry partnership, bringing together a well-respected group of subject matter experts. Water is precious taonga and it is up to all of us to do our bit to protect this valuable resource for Aotearoa New Zealand" said Mr. Goldschmidt.

"Throughout the project at Te Awamutu, we will be continuously looking



for ways to improve – not only to implement within this project, but to share our knowledge with the wider Wastewater Community team"

The Wastewater Community are committed to helping the Co-op deliver 14 quality wastewater projects and have set themselves an ambitious set of goals to achieve over the next few years.

Tetra Pak Key Account Director Julie Evans says the company is truly grateful to be part of the Fonterra Wastewater community.

"It gives our teams the opportunity to demonstrate our capabilities and competencies to foster continual innovation and development to improve wastewater processing throughout Aotearoa New Zealand. We look forward to building upon the efforts and successes from the project at Te Awamutu and applying them to other projects within the programme."



Fonterra confirms timeline for capital structure implementation

Fonterra confirmed that its new Flexible Shareholding capital structure is set to be implemented in late March 2023, subject to the Board being satisfied that the relevant preparations are completed before then.

The structure, which is laid out in a step-by-step tool for shareholders as well as a Guide to Flexible Shareholding, is intended to make it easier for new farmers to join the Co-operative and for existing farmers to remain, by allowing greater flexibility in the level of investment required.

Chairman Peter McBride says Flexible Shareholding will support Fonterra's strategy by helping to maintain a sustainable milk supply, protecting farmer ownership and control, and supporting a stable balance sheet.

"Our Co-operative is already making good progress towards our 2030 strategic goals, and we believe moving to our Flexible Shareholding structure will help ensure that we stay on track," says Mr McBride.

The proposal to move to Flexible Shareholding received a strong farmer mandate in December 2021, with more than 85% of the total number of farmer votes cast in support of the recommendation.

Since then, the Co-operative has been working with the Government to get related

changes made to the Dairy Industry Restructuring Act – the legislation that enabled the formation of Fonterra back in 2001.

Mr McBride says the passing of the relevant legislation in Parliament provides farmer owners the clarity they have been wanting.

"This milestone gives us the confidence to put in place the transition to our Flexible Shareholding structure.

"We would like to take this opportunity to thank Minister O'Connor and the Government for passing the legislation through under urgency and giving the Co-op's shareholders this much needed certainty."

The decision to implement Flexible Shareholding in late March was made based on a number of considerations.

"We believe late March is the best date for implementation because it avoids our share trading black-out period associated with the Co-op's Interim Results. The black-out period would impact our ability to support liquidity in the market via the Transitional Buyback, which is part of the package of liquidity measures of up to \$300 million that we have previously announced," says Mr McBride.

"It also gives shareholders time to fully digest the detailed information we will be sending through ahead of the implementation date,

[To access the Step-by-Step tool –](#)

and to seek advice from their financial advisors. We are mindful that it's a busy time on farm, and that advisors may not be available over the summer holidays."

In addition, Fonterra is aiming for new market making arrangements to become effective before Flexible Shareholding is implemented to help support liquidity.

The Co-operative intends to confirm the final implementation date at the same time as its Interim Results are announced – currently scheduled for 16 March 2023.

Supplementary Information

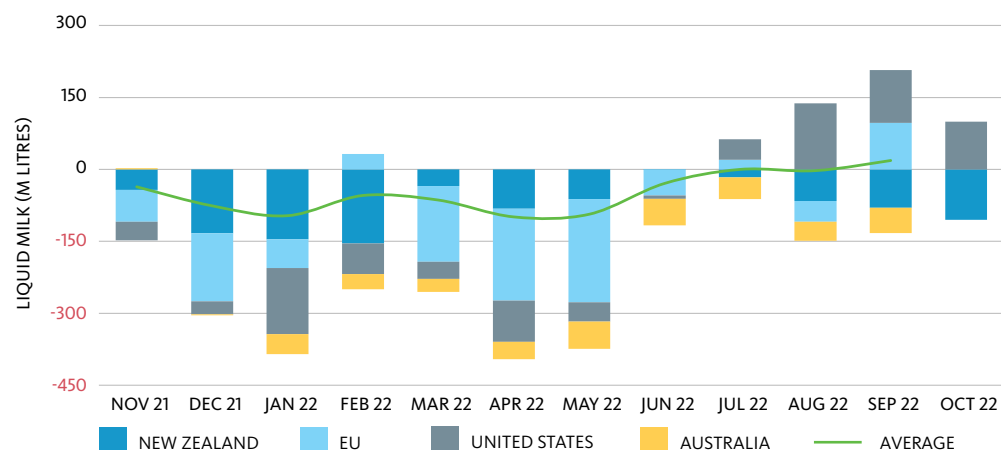
Global Dairy Market

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.

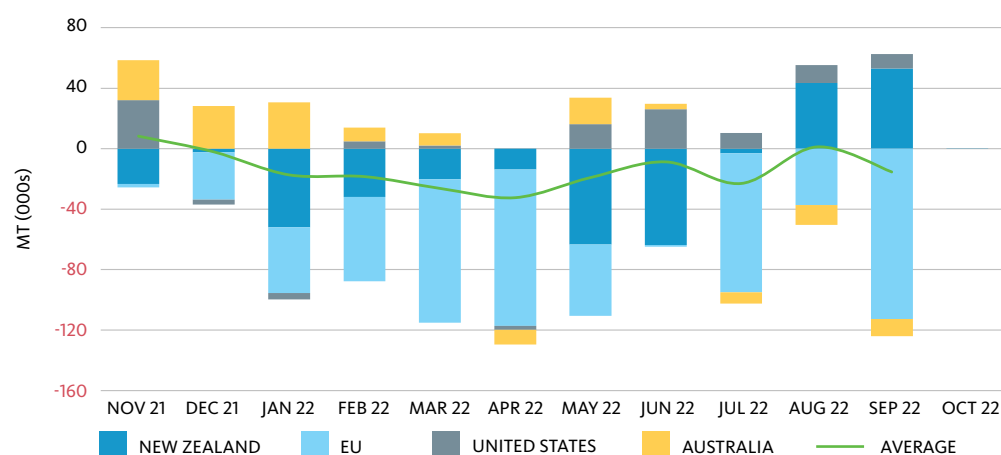
The absolute size of the bars represents the change in imports, exports or production, relative to the same period the previous year.

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

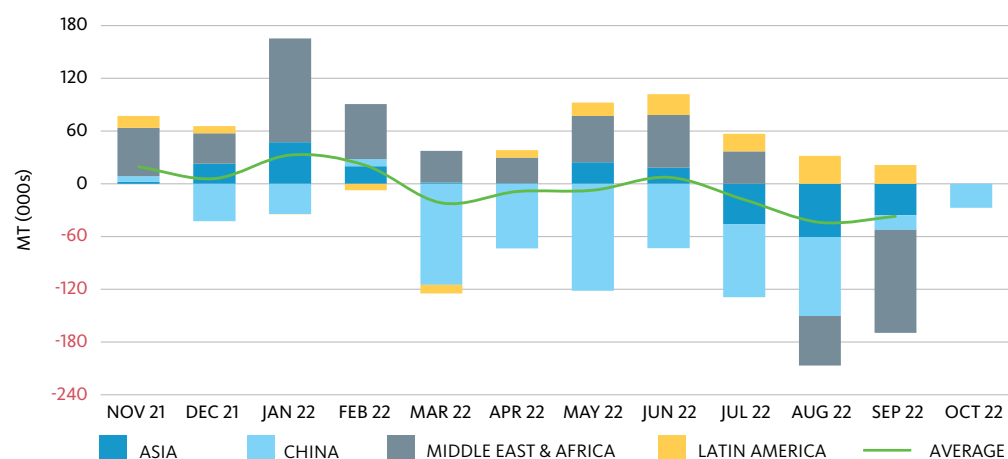
PRODUCTION



EXPORTS



IMPORTS



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)	OCTOBER 2022	OCTOBER 2021	MONTHLY CHANGE	SEASON- TO-DATE 2022/23	SEASON- TO-DATE 2021/22	SEASON- TO-DATE CHANGE
Total Fonterra New Zealand	200.6	207.0	(3.1%)	492.7	510.9	(3.6%)
North Island	116.4	123.5	(5.7%)	315.1	334.6	(5.8%)
South Island	84.1	83.5	0.8%	177.6	176.3	0.7%
Australia	12.2	11.8	2.7%	34.3	34.5	(0.7%)

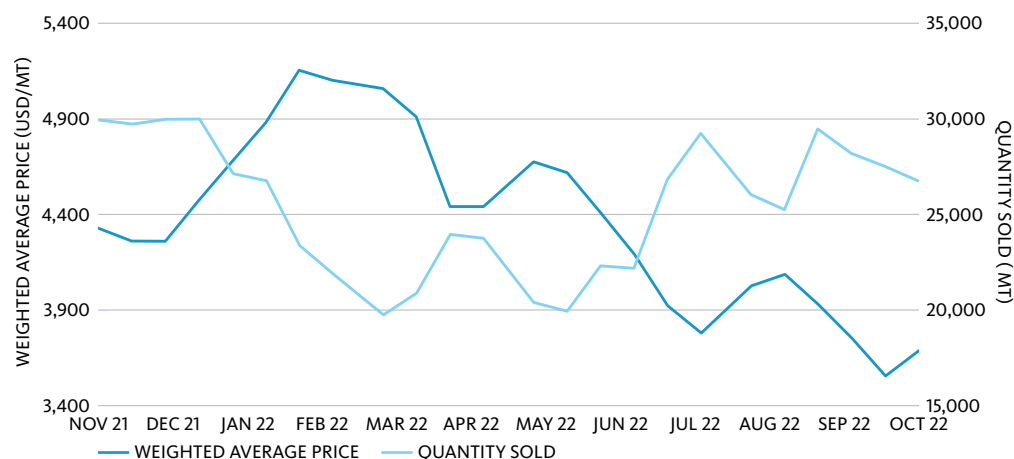
Fonterra GDT results

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

	LAST TRADING EVENT (15 NOVEMBER 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2022)
Quantity Sold on GDT (Winning MT)	26,765	219,358
Change in Quantity Sold on GDT over same period last year	(9.3%)	6.2%
Weighted Average Product Price (USD/MT)	3,688	3,839
Change in Weighted Average Product Price over same period last year	(14.7%)	(5.6%)
Change in Weighted Average Product Price from previous event	3.7%	–

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.

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.