Market Announcement

29 May 2025

Fonterra announces 2025/26 Farmgate Milk Price, Q3 earnings

- Normalised[1] profit after tax: NZ $1,158 million, up 11%
- Normalised continuing earnings per share: 70 cents per share, up 13%
- Return on capital: 11% down from 11.9%
- FY25 full year forecast earnings range: 65-75 cents per share
- 2024/25 season forecast Farmgate Milk Price: $10.00 per kgMS
- 2025/26 season opening forecast Farmgate Milk Price: $10.00 per kgMS

Fonterra Co-operative Group Ltd today provided its Q3 business update, announcing strong profit after tax of $1,158 million, up $119 million on this time last year.

As a result of these strong earnings, the Co-op narrowed its year-end earnings range to 65-75 cents per share, at the upper end of the guidance provided in March of 55-75 cents per share.

At the same time, Fonterra announced an opening forecast Farmgate Milk Price for the 2025/26 season of $10.00 per kgMS, driven by stable near-term market demand.

CEO Miles Hurrell says Fonterra is committed to delivering strong shareholder returns through both earnings and the Farmgate Milk Price.

“We’ve delivered strong shareholder returns through FY25, including a 22-cent interim dividend, and as we get closer to the end of the year, we are focused on maintaining this momentum.

“Our forecast Farmgate Milk Price for the current season is driven by strong demand for our milk price reference products and our range is unchanged at $9.70-$10.30 with a midpoint of $10.00 per kgMS. We’re also pleased to tighten our year-end forecast earnings within the existing range, given the strength of our third quarter performance,” says Mr Hurrell.

2025/26 season opening Farmgate Milk Price

“Looking at the season ahead, we expect this demand to continue for now, but we acknowledge the ongoing geopolitical uncertainty and the potential for a wider series of outcomes across the season.

Therefore, our opening forecast Farmgate Milk Price for the 2025/26 season of $10.00 per kgMS sits within a wide forecast range of $8.00-$11.00 per kgMS.

[1] Normalised profit after tax excludes $77 million of costs associated with the divestment of the Consumer channel integrated businesses in Australia and Sri Lanka

For the current season, the milk price of $10.00 per kgMS equates to around $15 billion into the New Zealand economy. The majority of this flows into regional New Zealand where it plays a strong role helping to sustain local communities.

Business performance

Fonterra’s focus on optimising its product mix has driven a Q3 normalised profit after tax of $1,158 million, equivalent to 70 cents per share, with operating profit of $1,740 million, up $267 million on last year.

“This result reflects the scale and ongoing strength of our Ingredients channel, and volume growth in our Foodservice and Consumer channels with each channel increasing its third quarter performance compared to the same period last year.

“Our rolling 12-months Return on Capital is 11%, which is above our previous target for FY25 and within our long-term target range of 10-12%,” says Mr Hurrell.

“Our full year forecast earnings range of 65-75 cents per share assumes flat earnings in Q4 of FY25 due to the seasonality of our milk collections, the higher input prices for our Consumer and Foodservice businesses, ongoing investment in our ERP system and an increase in costs associated with shaping the Co-op post divestment to execute our strategy.

“We are heading into year end with a strong balance sheet and full year debt metrics on track to be below the Co-op’s target range,” says Mr Hurrell.

Strategic delivery

Miles Hurrell says a priority for Fonterra this year has been the implementation of its strategy, which deepens the Co-op’s focus on its high-performing Ingredients and Foodservice businesses.

“Last year, we announced a step-change in our strategic direction, including a decision to divest our global Consumer and associated businesses.

“This step was grounded in an understanding of how we best create value for farmer shareholders and ultimately for New Zealand.

“We have been thoroughly testing the terms and value of both a trade sale and initial public offering (IPO) as divestment options. This work is on track as planned and we will seek farmer shareholder approval to divest through a vote in due course.

“Given the confidence we have in our strategy, we have strong conviction that a divestment is the right choice for the Co-op and its owners.

“Our financial results show we have an impressive business as a global B2B dairy player, powered by our home-base of New Zealand milk and operations.

“If we divest our Consumer business, we will still be a Co-op with global reach and scale, and a diverse product mix sold to customers in more than 100 countries.

“By focusing on our core strengths and the sales channels that deliver the highest returns, we have the confidence to target an average Return on Capital of 10-12%, which is above our 5-year average. This is alongside paying farmers the highest sustainable Farmgate Milk Price, which we are always committed to,” says Mr Hurrell.

Fonterra continues to target a significant capital return to shareholders and unit holders following divestment.

ENDS

Non-GAAP financial information
Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

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