



MAY 2021

Global Dairy UPDATE



- New Zealand, US and EU monthly production up, while Australia down.

- Third quarter business update.

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



- US and Australia exports show strong monthly growth. EU exports up while New Zealand monthly exports decline.

- Capital structure consultation commences.



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



- Fonterra's New Zealand milk collection for April was 118.2 million kgMS, an 11.2% increase on April last season. At the end of April, season-to-date collection was 1.2% up on last season.

- Taranaki farm embraces te ao Māori

- Fonterra farmer John Wyatt has become the first person to ever accomplish a trifecta in the New Zealand Dairy Industry Awards (NZDIA).

- Fonterra's Australia collection for April was 8.1 million kgMS, a 1.9% increase compared to April last season, but down 1.1% for the season to date compared to the prior period.

Key Dates



1 June 2021
Start of the 2021/22 Season

31 July 2021
End of Financial Year 2021

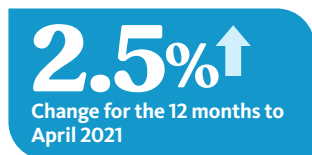
September 2021
FY21 Annual Results Announcement



New Zealand, US and EU monthly production up, while Australia down

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

NEW ZEALAND



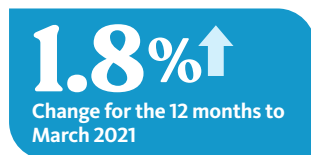
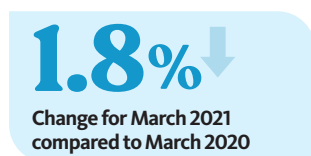
New Zealand milk production¹ increased 11.6% on a litres basis in April compared to April last year.

New Zealand production is benefiting from favourable end of season milk production conditions in key farming regions of the North Island.

New Zealand milk production for the 12 months to April was 2.5% higher than last year.

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

AUSTRALIA



Australia milk production was down 1.8% in March compared to last March.

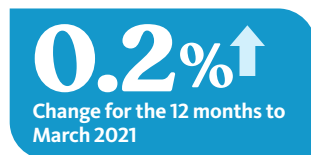
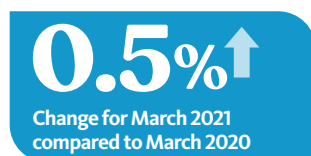
Lower herd numbers associated with farm exits continue to constrain milk production growth across Australia despite favourable on-farm conditions.

Dairy Australia has reduced its milk production forecast from 1% to 3% growth to (1)% to 1% growth for the 2020/21 season.

Australia milk production for the 12 months to March was 1.8% higher than last year.

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

EUROPEAN UNION

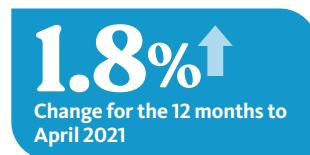
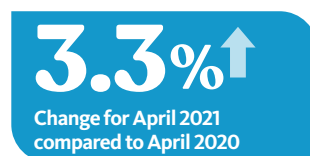


EU milk production² improved after a slow start to the season and increased by 0.5% in March compared to the same period last year.

Increases were observed in Ireland (up 13.5%), Poland (1.7%), Italy (1.5%) and offset by declines in France (down 1.4%) and Germany (1.1%).

EU milk production for the 12 months to March was up by 0.2% compared to the same period last year, driven by higher volumes from Ireland, Poland and Belgium.

USA



US milk production increased by 3.3% in April, compared to the same period last year.

US milk production continues to expand, driven by herd size growth and higher milk per cow yield. April production last year was impacted by pandemic driven production restrictions applied to farmers by co-operatives.

Milk production for the 12 months to April was 1.8% higher compared to the same period last year.

¹ New Zealand production is measured in litres.

² Excludes UK.



US and Australia exports show strong monthly growth. EU exports up while New Zealand monthly exports decline

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

NEW ZEALAND

5.6%↓

Change for April 2021 compared to April 2020

1.5%↑

Change for the 12 months to April 2021

Total New Zealand dairy exports decreased by 5.6% or 16,454 MT, in April compared to the same period last year.

The decrease was driven by lower volumes of SMP and AMF to South East Asia, and WMP to Saudi Arabia and UAE, down a combined 19,815 MT. This was partially offset by increased cheese exports to China, up 4,877 MT.

Exports for the 12 months to April were up by 1.5%, or 50,594 MT, on the previous comparable period. This was primarily driven by WMP, fluid milk products and cheese but partially offset by decreases in SMP, butter and infant formula.

AUSTRALIA

16.6%↑

Change for March 2021 compared to March 2020

7.3%↑

Change for the 12 months to March 2021

Australia dairy exports increased by 16.6%, or 10,966 MT, in March compared to the same period last year.

The increase was driven by higher demand from China for SMP, up 5,662 MT, and fluid milk products, up 5,804 MT.

Exports for the 12 months to March were up 7.3%, or 53,659 MT, on the previous comparable period.

This was predominantly driven by increases in fluid milk products, SMP and butter but partially offset by declines in infant formula.

EUROPEAN UNION

0.3%↑

Change for February 2021 compared to February 2020

2.4%↑

Change for the 12 months to February 2021

EU dairy exports¹ increased by 0.3%, or 1,414 MT, in February compared to the same period last year.

February saw increased volumes of fluid milk products and whey shipped to China but was partially offset by reduced volumes of butter to Saudi Arabia, and cultured products and SMP to Algeria.

Exports for the 12 months to February were up 2.4%, or 168,320 MT, on the previous comparable period. Fluid milk products, whey, lactose, WMP and cheese were the main drivers of this growth, partially offset by a large decline in SMP.

USA

21.3%↑

Change for March 2021 compared to March 2020

10.4%↑

Change for the 12 months to March 2021

US dairy exports increased 21.3%, or 45,165 MT, in March compared to the same period last year.

Despite ongoing shipping and logistical challenges, record March shipments were made to China, with whey up 23,670 MT and SMP up 8,893 MT.

Exports for the 12 months to March 2021 were up 10.4%, or 243,681 MT, on the previous comparable period, driven by SMP, whey and WPC, up a combined 248,040 MT.

¹ Excludes UK. February 2020 numbers include one extra day as 2020 was a leap year.



China monthly imports continue to grow. Latin America imports up, Middle East and Africa and Asia monthly imports down

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

LATIN AMERICA

6.0%↑

Change for February 2021 compared to February 2020

1.4%↑

Change for the 12 months to February 2021

Latin America dairy import volumes¹ increased 6.0%, or 8,427 MT, in February compared to the same period the last year.

The decrease was driven by higher volumes of SMP to Mexico and Peru and fluid milk products to the Dominican Republic, up a combined 8,426 MT.

Imports for the 12 months to February were up 1.4% compared to the same period the last year.

ASIA

1.3%↓

Change for February 2021 compared to February 2020

2.2%↓

Change for the 12 months to February 2021

Asia (excluding China) dairy import volumes¹ decreased 1.3%, or 4,817 MT, in February compared to the same period the last year.

The decrease was driven by lower volumes of WMP to South-East Asia, and lactose to Japan and Singapore, down a combined 13,291 MT. This was partially offset by higher volumes of whey, fluid milk products and butter.

Imports for the 12 months to February were down 2.2%, or 108,058 MT, compared to the same period the last year. Decreases were recorded across WMP, SMP, whey and butter and offset partially by increased volumes in lactose and cheese, up 43,676 MT.

MIDDLE EAST & AFRICA

8.6%↓

Change for February 2021 compared to February 2020

2.0%↓

Change for the 12 months to February 2021

Middle East and Africa dairy import volumes¹ decreased 8.6% or 26,523 MT, in February 2021 compared to the same period the last year.

The decrease was driven predominantly by lower volumes of SMP and WMP to Saudi Arabia, Nigeria and fluid milk products to UAE and Angola.

Imports for the 12 months to February were down 2.0%, or 76,360 MT, compared to February last year, driven by decreases in fluid milk products and butter and partially offset by increases in SMP and WMP.

CHINA

26.4%↑

Change for April 2021 compared to April 2020

21.7%↑

Change for the 12 months to April 2021

China dairy import volumes increased by 26.4%, or 72,292 MT, in April compared to the same period last year.

With the exception of infant formula, increased volumes were observed across all other product categories. More notably, fluid milk products from Germany, New Zealand and Poland, were up 37%, whey, from the US, Belarus and Europe, increased 70% and SMP from New Zealand and Australia, increased 43%.

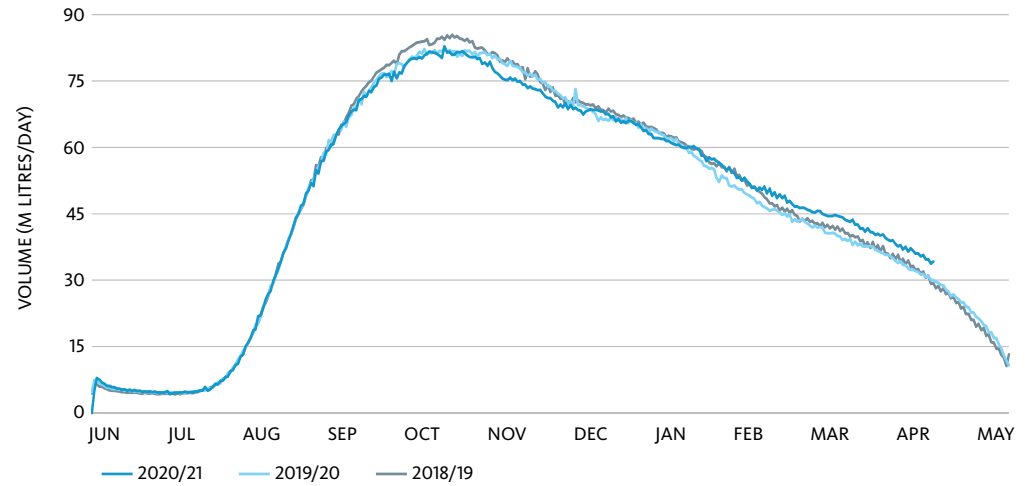
Imports for the 12 months to April were up 21.7%, or 689,069 MT, driven by fluid milk products, whey, SMP and lactose.

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



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

11.2%↑
Change for April 2021 compared to April 2020

1.2%↑
Season to date 1 June to 30 April

Fonterra's New Zealand collection for April was 118.2 million kgMS, 11.2% higher than the same month last season driven by strong growth in the North Island.

Season-to-date collection was 1,464.0 million kgMS, 1.2% ahead of last season.

April started out very warm across the country, with both islands experiencing a mix of weather. Western regions were generally wetter and had lower than average sunshine hours, whereas Eastern regions were mostly drier and sunnier than average.

NORTH ISLAND

26.0%↑
Change for April 2021 compared to April 2020

3.0%↑
Season to date 1 June to 30 April

North Island milk collection in April was 64.3 million kgMS, 26.0% higher than April last season.

Season-to-date collection was 869.7 million kgMS, 3.0% ahead of last season.

April collections were very strong with generally favourable weather conditions allowing good pasture growth, and more farms milking for longer than is generally the case at this time of the season. Eastern coastal regions, in particular, continued to see soil moisture deficits, with collections in those areas having lower growth.

SOUTH ISLAND

2.5%↓
Change for April 2021 compared to April 2020

1.4%↓
Season to date 1 June to 30 April

South Island milk collection in April was 53.9 million kgMS, 2.5% less than April last season.

Season-to-date collection was 594.2 million kgMS, 1.4% lower than last season.

Weather conditions were less favourable in the South Island but collections were steady. Although down on the same month last season, they were at average levels for this time of the year, while also noting that 2020 did have a stronger than average late season run.

AUSTRALIA

1.9%↑
Change for April 2021 compared to April 2020

1.1%↓
Season to date 1 July to 30 April

Fonterra's Australia collection in April was 8.1 million kgMS, a 1.9% increase on April last season. This was largely due to additional milk sourced from other manufacturers in April this season. This varies month to month.

Favourable autumn conditions across Victoria and Tasmania have stabilised milk production with April intake increasing compared to April 2020.

Season-to-date collection was 1.1% down on last season.

The inclusion of off-GDT sales contributed nine cents per kgMS to the Milk Price for the season to 30 April 2021.

Outlook for New Zealand

NZD per kgMS
7.25-8.75
Forecast Farmgate Milk Price for the 2021/22 season

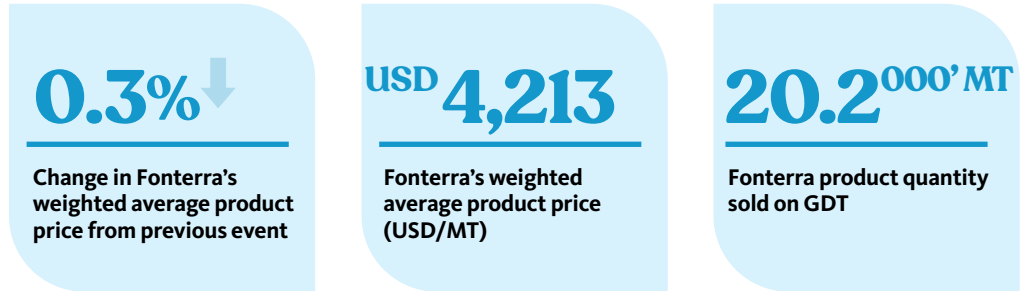
1,525M kgMS
Forecast milk collection for the 2021/22 season

OUR MARKETS

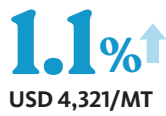
Fonterra Global Dairy Trade Results



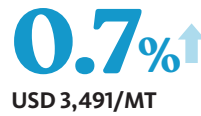
Fonterra GDT results at last trading event
18 May 2021:



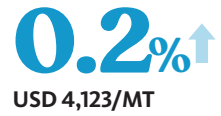
CHEDDAR



SMP



WMP



AMF

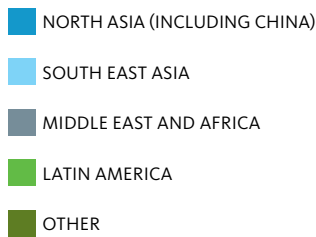


BUTTER

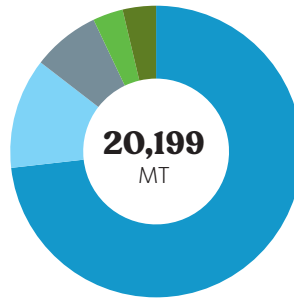


Fonterra GDT sales by destination:

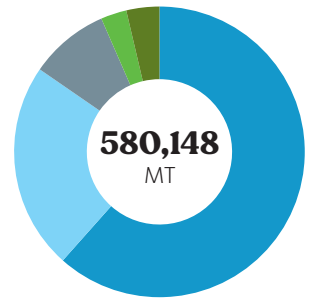
To view more information, including a snapshot of the rolling year-to-date results –



LATEST AUCTION



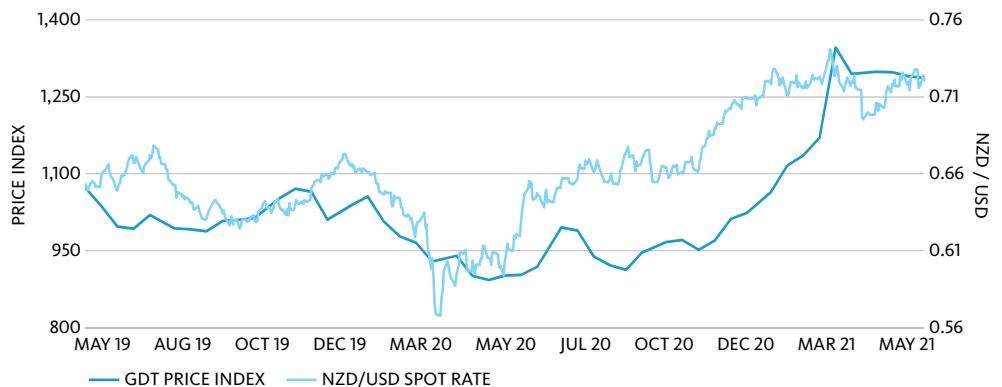
FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 1 June 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD/USD exchange rate traded in a narrow band between 71 and 73 US cents; supported by strong commodity prices and robust domestic New Zealand economic activity, but additional strength was contained by expectations of comparative US economic outperformance in the near term.





Capital structure consultation commences

Fonterra is continuing to consult with farmers on potential options to change its capital structure.

It is part of a comprehensive capital structure review that aims to help ensure:

- the financial sustainability of the Co-op into the future;
- a sustainable milk supply; and
- protection of farmer ownership and control.

The consultation process started in early May and includes a series of meetings, webinars and other opportunities for farmers to find out more and have their say. To help give the conversations with farmers some structure, the Board put forward a preferred option – a 'Reduced Share Standard and either No Fund or a Capped Fund.'

"We believe the best option for our Co-op is to move to a structure that reduces the number of shares a farmer would be required to have and either removes the Fund or caps it from growing further, to protect farmer ownership and control," says Chairman Peter McBride.



"This is the Board's current thinking, but we are open minded about adjusting that direction based on farmer feedback on any of the options. Conversations at the regional meetings have already brought out a number of good ideas from farmers that we will be considering."

Once farmer views have been heard, and if the appetite for change remains, further work will be done to refine the preferred option or options and a second round of consultation will be held. If the Board decides to seek change, it would likely aim for a farmer vote around the time of this year's Annual Meeting and the approval of at least 50% of the members of the Co-operative Council (formerly known as the Shareholders' Council) and

75% of votes from voting farmers would be required.

If the outcome is to buy back the Fund, that would require the approval of 75% of votes from voting unit holders.

As some aspects of Fonterra's current capital structure are reflected in the Dairy Industry Restructuring Act 2001 (DIRA), any vote is likely to be conditional on any necessary changes to legislation being passed. The DIRA enabled Fonterra to be formed so that an efficient co-operative of scale could lead the country into global markets. The value Fonterra creates is returned to regional New Zealand, where it plays a strong role helping to sustain local communities and enhance their wellbeing.



Taranaki farm embraces te ao Māori

A profitable dairy farm doesn't have to come at the cost of the environment, say South Taranaki dairy farmers Jane and Damian Roper.

In April, the Ropers, who milk 420 cows on their 158ha dairy farm in Alton, welcomed more than 100 people to their farm for the formal opening of the latest step in their journey into sustainable and environmentally conscious farming.

The Roper family and members of the community have built Ōhuarai pā i te kōhu, a pā (a traditional Māori defensive terrace) for the propagation and growing of native New Zealand trees.

"We have been learning te reo Māori [Māori language] since last year," says Jane. "Not only have we begun to learn the language but also the culture, the history and the strong Māori values relating to the protection of land and the environment. We wanted to bring Māori culture and its set of values into our farming operation."

Their farm vision is to show it's possible to run a tidy, profitable and efficient dairy farm with minimal impact to the environment, using both Maori and modern science practices – something they are both passionate about. Damian says building the pā is the start of their journey into this.



"With help, advice and guidance from our iwi Ngāti Ruanui, our Marae Wharepuni and our local community the Tawatawata (stockade) Pā was built. It houses two whare, a propagation house for the germinating of seeds named Rongo-marae-roa (house of generosity and hospitality) and a second shadehouse named Tāne- māhuta for the on-growing of the trees before planting out."

The pā, which stretches 70 metres along a hilltop and encompasses almost half a hectare of land, has been built with nearly 4,000 round fence posts in different lengths, their tips shaped to sharp points. The high walls act as a very effective windbreak, sheltering the large propagation house.

Winners of the Fonterra Responsible Dairying award in 2019, the Ropers have planted about 18,000 indigenous trees around the property since they bought

[To view Jane and Damian's story –](#)

it in 2006 and plan to supply others with trees once they have them in production.

"This isn't a commercial enterprise, but a way we can help other farmers become enthusiastic about the benefits of indigenous plantings. We are wanting to bring back the biodiversity and birdlife back to our doorsteps, back to our farms."

Built over the summer, it was a team effort by about 20 people in the community, from builders and tradespeople to iwi members who gave cultural advice.



Third time's a charm

A hat-trick. A trifecta. A three-peat.

Whatever you want to call it, Fonterra farmer John Wyatt has become the first person to ever accomplish it in the New Zealand Dairy Industry Awards (NZDIA). John has been named the 2021 Taranaki Share Farmer of the Year, the latest step in his progression through the ranks of the dairy industry and a history making moment.

It's historic because claiming the title meant that John became the first person to win all three NZDIA categories – he was the 2009 Hawke's Bay/Wairarapa Dairy Trainee of the Year and the 2015 Manawatu Farm Manager of the Year.

"It was at the back of my mind when I entered", says John. "But I had no idea that no one had ever done it before so it's pretty cool."

John grew up on a sheep and beef farm near Dannevirke and was often helping the neighbours with shearing and docking.

"I have always been keen on farming. I enjoy being outside and working with animals so I knew that was where my future lay."

But in 2007, he left home and gave up sheep and beef in favour of dairying.



"I realised that dairy farming offered a better progression path to farm ownership and more opportunities than sheep and beef, so I gave it a go. I enjoyed it so I have just kept doing it."

John reckons one of the keys to his success is that he's always keen to learn.

"I want to know as much as I can about what I'm doing so having that knowledge is important. That's why I did a Diploma through Primary ITO and I think that has really helped my career."

Away from the farm John and Kristina enjoy staying active, but with one-and-a-half-year-old son Caleb to also care for, finding time can be tricky.

"I play squash and Kristina plays hockey. We both enjoy mountain biking together as well, although it's a bit more difficult now that we have a family. We're not far from the beach at Opunake and

there are some great walking trails on the mountain which is less than 30 mins away. There's lots of outdoors stuff close to us so we try to get out when we can."

John and Kristina are now in the process of buying the herd they currently contract milk to start a 50:50 sharemilking partnership.

"We're really excited about that. It's great to be staying on the same farm. The plan for the next few years is to pay off some debt and then hopefully be in a position to buy a farm of our own. Kristina and I work really well as a team. I enjoy the satisfaction of a job well-done and want to set a good example and create a future for my family."

Supplementary Information

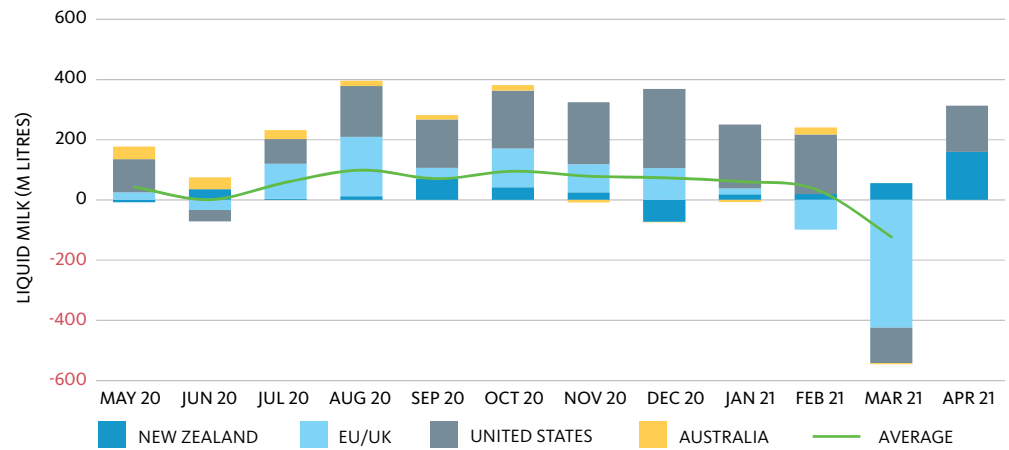
Global Dairy Market

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.

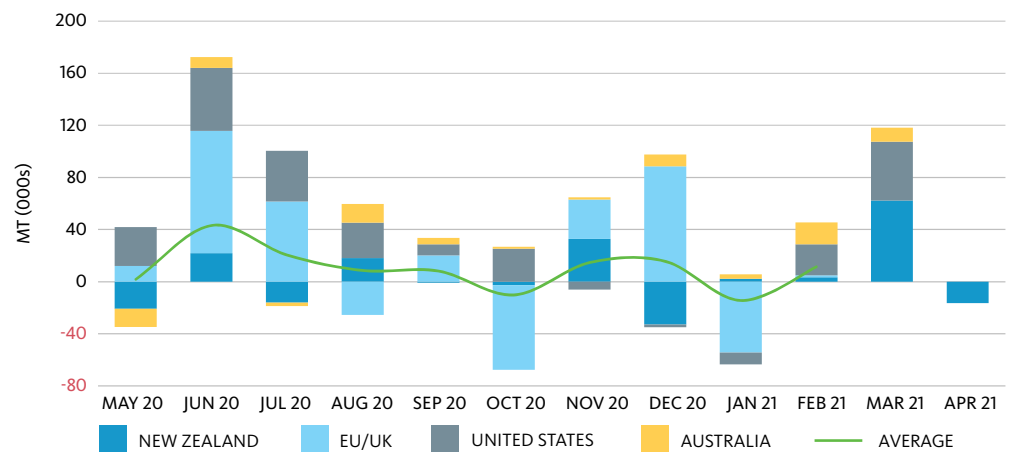
Averages are shown where data is complete for the regions presented.

PRODUCTION



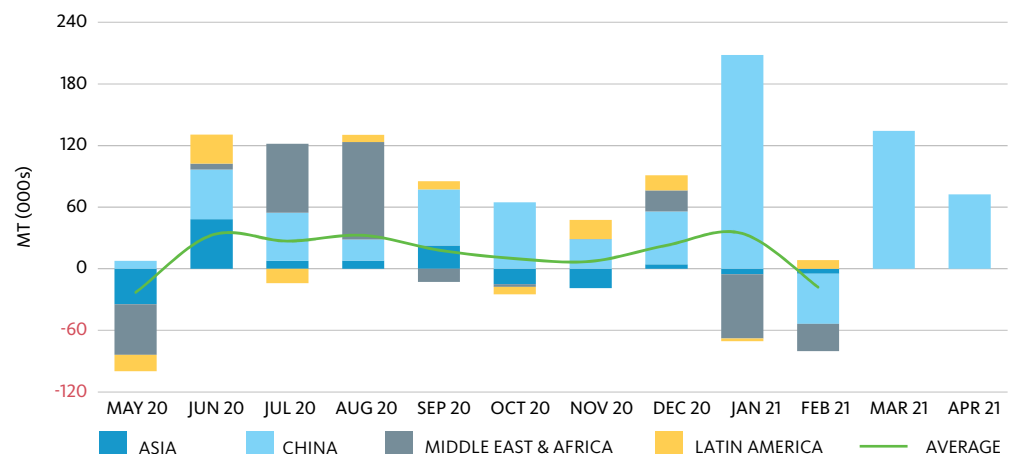
NOTE: Data for EU/UK and Australia to March; New Zealand and US to April.

EXPORTS



NOTE: Data for EU/UK to February; Australia and US to March; New Zealand to April.

IMPORTS



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

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)	APRIL 2021	APRIL 2020	MONTHLY CHANGE	SEASON-TO-DATE 2020/21	SEASON-TO-DATE 2019/20	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	118.2	106.3	11.2%	1,464.0	1,447.2	1.2%
North Island	64.3	51.0	26.0%	869.7	844.6	3.0%
South Island	53.9	55.3	(2.5%)	594.2	602.6	(1.4%)
Australia	8.1	7.9	1.9%	92.1	93.2	(1.1%)

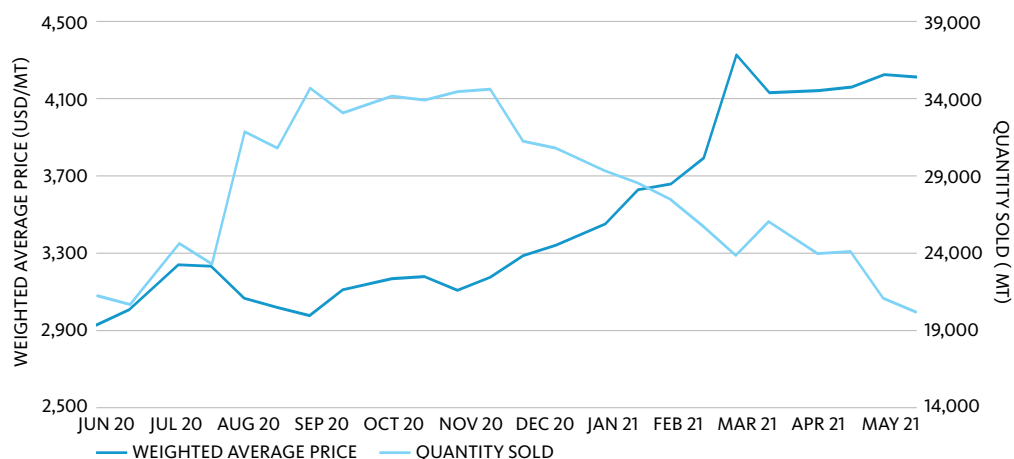
Fonterra GDT results

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

	LAST TRADING EVENT (18 MAY 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2020)
Quantity Sold on GDT (Winning MT)	20,199	580,148
Change in Quantity Sold on GDT over same period last year	26.3%	(3.0%)
Weighted Average Product Price (USD/MT)	4,213	3,489
Change in Weighted Average Product Price over same period last year	43.3%	6.0%
Change in Weighted Average Product Price from previous event	(0.3%)	-

Fonterra GDT results

This chart shows Fonterra GDT prices and volumes over the past 12 months.



Glossary

AMENA

Africa, Middle East, Europe, North Asia, Americas.

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 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 NZ 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