



MAY 2024

Global Dairy UPDATE



- Australia and EU monthly production increased. New Zealand and US monthly production decreased.



- Australia monthly exports increased. New Zealand, EU and US monthly exports decreased.



- Asia and Middle East & Africa monthly imports increased. Latin America and China monthly imports decreased.



- Increased 2023/24 season forecast milk collections to 1,471 million kgMS.
- Announced 2024/25 season forecast milk collections of 1,458 million kgMS.
- Fonterra New Zealand's collections for April were 115.9 million kgMS and season-to-date collections were 1,400 million kgMS.



- Fonterra announces step-change in strategic direction.



- Fonterra crowned #1 cheesemaker in New Zealand.

Key Dates



1 June 2024
Start of the 2024/25 Season

31 July 2024
End of FY24 Financial Year

September 2024
FY24 Annual Results
Announcement



Australia and EU monthly production increased. New Zealand and US monthly production decreased

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

NEW ZEALAND

4.1%↓

Change for April 2024 compared to April 2023

0.2%↓

Change for the 12 months to April 2024

New Zealand milk production was down 4.1% on a litres basis (down 2.6% on milk solids basis) for April compared to the same period the year prior.

The decrease was due to unfavourable weather conditions affecting pasture growth alongside farmers drying off in preparation for next season.

New Zealand milk production for the 12 months to April was down 0.2% on the previous comparable period.

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

AUSTRALIA

2.8%↑

Change for March 2024 compared to March 2023

2.5%↑

Change for the 12 months to March 2024

Australia milk production increased 2.8% in March compared to the same period the year prior.

The increase was due to favourable weather conditions and ongoing availability of irrigation water.

Australia milk production for the 12 months to March was up 2.5% on the previous comparable period.

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

EUROPEAN UNION

0.6%↑

Change for March 2024 compared to March 2023

0.1%↑

Change for the 12 months to March 2024

EU milk production¹ increased 0.6% in March compared to the same period the year prior.

The increase was driven by growth in Germany and France, offsetting declines in key producing nations such as Ireland, the United Kingdom, and the Netherlands.

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

USA

0.4%↓

Change for April 2024 compared April 2023

0.3%↓

Change for the 12 months to April 2024

US milk production decreased 0.4% in April compared to the same period the year prior.

The decrease was mainly driven by a reduction in herd sizes, and the ongoing outbreak of Highly Pathogenic Avian Influenza (HPAI) in Texas.

US milk production for the 12 months to April was down 0.3% on the previous comparable period.

¹ Excludes UK.



Australia monthly exports increased. New Zealand, EU and US monthly exports decreased

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

NEW ZEALAND

10.8% ↓

Change for April 2024 compared to April 2023

6.1% ↑

Change for the 12 months to April 2024

Total New Zealand dairy exports decreased 10.8%, or 35,203 MT, in April compared to the same period the year prior.

The decrease was mainly due to lower export volumes of WMP to China, Algeria, and Indonesia. This was partially offset by higher export volumes of fluid milk products.

Exports for the 12 months to April were up 6.1%, or 205,893 MT, on the previous comparable period.

This was mainly due to higher overall export volumes of WMP, SMP and fluid milk products.

AUSTRALIA

13.8% ↑

Change for March 2024 compared to March 2023

13.0% ↓

Change for the 12 months to March 2024

Australia dairy exports increased 13.8%, or 8,538 MT, in March compared to the same period the year prior.

The increase in exports was mainly due to higher export volumes of cheese, SMP and butter as rising milk flows have increased the availability of product for export.

Exports for the 12 months to March were down 13.0%, or 96,684 MT, on the previous comparable period.

This was mainly due to the disconnect between Australia's domestic milk price and global commodity price, making Australian exports less competitive.

EUROPEAN UNION

12.8% ↓

Change for March 2024 compared to March 2023

2.0% ↓

Change for the 12 months to March 2024

EU dairy exports decreased 12.8%, or 76,732 MT, in March compared to the same period the year prior.

The decrease was driven by lower export volumes of fluid milk products, cheese and SMP to China and Egypt due to competitive pricing from other regions.

Exports for the 12 months to March were down 2.0%, or 130,310 MT, on the previous comparable period.

This was due to ongoing lower export volumes of infant formula to China, alongside shifts in processing decisions towards other dairy products amidst changing market demands.

USA

3.6% ↓

Change for March 2024 compared to March 2023

7.0% ↓

Change for the 12 months to March 2024

US dairy exports decreased 3.6%, or 9,166 MT, in March compared to the same period the year prior.

The decrease was mainly due to lower export volumes of SMP. This was partially offset by ongoing high export volumes of cheese, with increased shipments to Mexico, Canada, and East Asia.

Exports for the 12 months to March were down 7.0%, or 203,126 MT, on the previous comparable period.

This was mainly due to lower export volumes of powders as demand from key markets subdued, alongside lower export volumes of butter due to higher prices relative to the rest of the world when sales were booked.



Asia and Middle East & Africa monthly imports increased. Latin America, and China monthly imports decreased

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

LATIN AMERICA

9.7%↓

Change for March 2024 compared to March 2023

7.1%↑

Change for the 12 months to March 2024

Latin America dairy import volumes¹

decreased 9.7%, or 21,189 MT, in March compared to the same period the year prior.

The decrease was mainly due to lower import volumes of SMP. This was partially offset by higher import volumes of cheese by Mexico.

Imports for the 12 months to March were up 7.1%, or 165,812 MT, on the previous comparable period.

This was mainly due to ongoing higher import volumes of WMP and cheese by Mexico and Brazil.

ASIA

4.2%↓

Change for March 2024 compared to March 2023

0.1%↑

Change for the 12 months to March 2024

Asia (excluding China) dairy import volumes¹

decreased 4.2%, or 19,668 MT, in March compared to the same period the year prior.

The decrease was mainly due to lower import volumes of whey powder by Southeast Asia. This was partially offset by higher import volumes of fluid milk products by the Philippines.

Imports for the 12 months to March were up 0.1%, or 4,420 MT, on the previous comparable period.

This was mainly due to higher import volumes of whey powder, SMP, and infant formula to Pakistan and Southeast Asia.

MIDDLE EAST & AFRICA

8.3%↑

Change for March 2024 compared to March 2023

4.9%↑

Change for the 12 months to March 2024

Middle East and Africa dairy import volumes¹

increased 8.3%, or 38,082 MT, in March compared to the same period the year prior.

The increase was driven by continued high import volumes of SMP to Saudi Arabia, and WMP to Algeria and the UAE.

Imports for the 12 months to March were up 4.9%, or 266,811 MT, on the previous comparable period.

This was mainly due to higher volumes of SMP to Algeria and Saudi Arabia, and WMP to the UAE. This was partially offset by lower volume of fluid milk products to Libya.

CHINA

10.9%↓

Change for April 2024 compared to April 2023

7.7%↓

Change for the 12 months to April 2024

China dairy import volumes

decreased by 10.9%, or 29,591 MT, in April compared to the same period the year prior.

The decrease was driven by lower import volumes of infant formula, fluid milk products, and SMP.

Imports for the 12 months to April were down 7.7%, or 246,822 MT, on the previous comparable period.

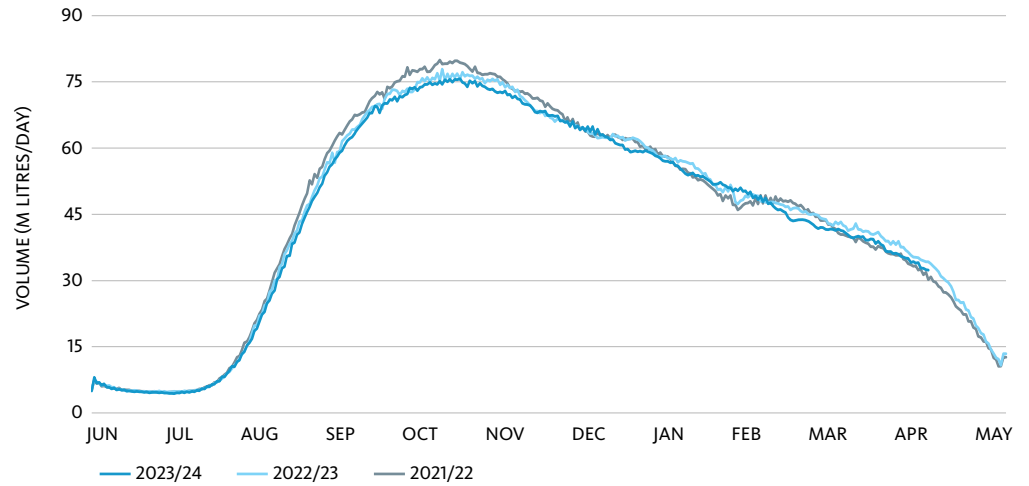
This was mainly due to the ongoing decline in import demand of infant formula as China prioritises local brands.

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

4.0% ↓

Change for April 2024 compared to April 2023

0.4% ↓

Season-to-date 1 June to 30 April compared to prior season

Fonterra's New Zealand collections for April were 115.9 million kgMS, 4.0% below April last season.

The decrease was mainly due to unfavourable pasture quality impacting collections in the North Island, partially offset by higher collections in the South Island despite dry conditions in parts of the region.

Season-to-date collections are 1,400 million kgMS, 0.4% behind last season.

NORTH ISLAND

8.3% ↓

Change for April 2024 compared to April 2023

3.5% ↓

Season-to-date 1 June to 30 April compared to prior season

North Island milk collections in April were 61 million kgMS, 8.3% below April last season.

The decrease was due to unfavourable conditions across regions, with more farmers reducing milking to once a day or drying off in preparation for next season.

Season-to-date collections are 796.5 million kgMS, 3.5% behind last season.

SOUTH ISLAND

1.3% ↑

Change for April 2024 compared to April 2023

4.0% ↑

Season-to-date 1 June to 30 April compared to prior season

South Island milk collections in April were 54.8 million kgMS, 1.3% ahead of last April.

The increase was due to farmers utilising excess feed before winter, alongside favourable weather conditions in the Lower South despite drier climates across other parts of the region.

Season-to-date collections are 602.8 million kgMS, 4.0% ahead of last season.

AUSTRALIA

0.7% ↓

Change for April 2024 compared to April 2023

1.0% ↑

Season-to-date 1 July to 30 April compared to prior season

Fonterra's Australia collections in April were 8.3 million kgMS, 0.7% below April last season.

The decrease was mainly due to unfavourable weather conditions hindering pasture growth and impacting milk production in Tasmania and Western Victoria.

Season-to-date collections are 91.7 million kgMS, 1.0% ahead of last season.

Outlook for Fonterra in New Zealand

For the period 1 June 2023 to 30 April 2024, off-GDT sales have contributed approximately 8 cents per kgMS to the Farmgate Milk Price for the 2023/24 season.

1,471M
kgMS

Forecast milk collections for the 2023/24 season

1,458M
kgMS

Forecast milk collections for the 2024/25 season

NZD 7.25–8.75
per kgMS

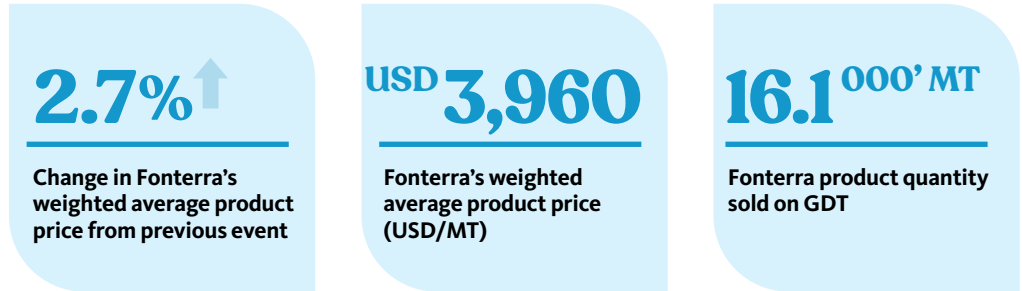
Forecast Farmgate Milk Price for the 2024/25 season

OUR MARKETS

Fonterra Global Dairy Trade Results



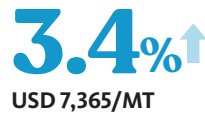
Fonterra GDT results at trading event 356
21 May 2024:



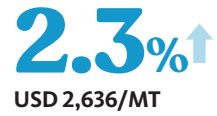
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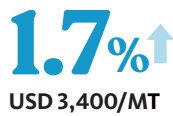
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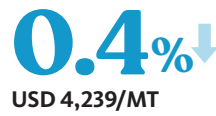
SMP



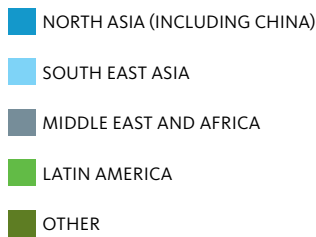
WMP



CHEDDAR

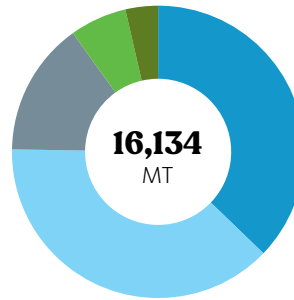


Fonterra GDT sales by destination:

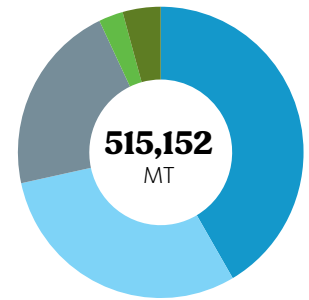


To view more information, including a snapshot of the rolling year-to-date results –

LATEST AUCTION



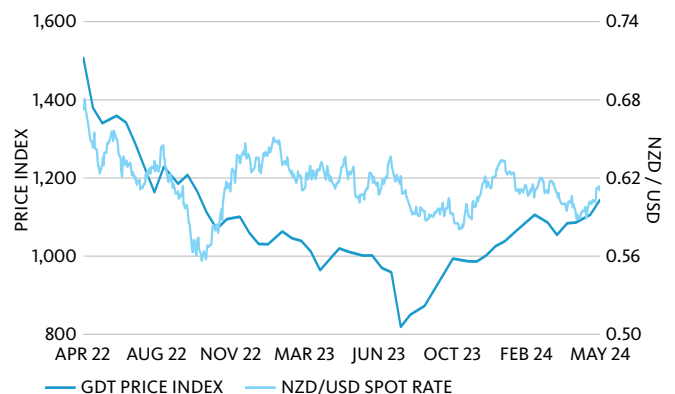
FINANCIAL YEAR-TO-DATE



▶ The next trading event will be held on 5 June 2024. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Markets are moving in line with mixed signals from the US economy about whether and when the US Federal Reserve can cut rates. General risk sentiment improved during May, and despite ongoing weakness in the New Zealand economy, the NZD was supported versus a declining USD – the NZD/USD exchange rate rose to above 61 US cents.



Our Performance



Fonterra announces step-change in strategic direction

Fonterra Co-operative Group Ltd announced a step-change in its strategic direction, as it commits to deepening its position as a world-leading provider of high-value, innovative dairy ingredients.

As part of this, the Co-op has announced it is exploring full or partial divestment options for some or all of its global Consumer business, as well as its integrated businesses Fonterra Oceania and Fonterra Sri Lanka.

Chairman Peter McBride says this is a significant move for the Co-op which will set it up to grow long-term value for farmer shareholders and unit holders.

“We have conducted a strategic review which has reinforced the role of our core business. This is working alongside farmers to collect a sustainable supply of milk and efficiently manufacture products valued by customers, to deliver strong returns to farmer shareholders and unit holders,” says Mr McBride.

CEO Miles Hurrell says the review has also given the Co-op confidence in the role it plays in the dairy nutrition value chain, with one of its greatest strengths being the production of world-class, innovative ingredients for customers to take to consumers.

“We believe we can grow further value for the Co-op by focusing on being a B2B dairy nutrition provider, working closely with customers through our high-performing Ingredients and Foodservice channels.

“This will be enabled



by strong relationships with farmers, a flexible manufacturing and supply chain footprint, deeper partnerships with strategic ingredients customers, further investment in our Foodservice channel, continued delivery on our sustainability commitments and investment in innovation.

“In this context, we are exploring divestment options for our global Consumer business as well as our integrated businesses Fonterra Oceania and Fonterra Sri Lanka,” says Mr Hurrell.

Fonterra’s global Consumer business has grown over the years since Fonterra was formed and is performing well. It includes a portfolio of market leading brands such as Anchor, Mainland, Kapiti, Anlene, Annum, Fernleaf, Western Star, Perfect Italiano and others.

Fonterra Oceania is a fully integrated business, recently created through merging Fonterra Brands New Zealand and Fonterra Australia. It comprises Consumer, Foodservice and Ingredients businesses. Fonterra Sri Lanka

comprises Consumer and Foodservice businesses.

Collectively, the businesses in scope for potential divestment utilised approximately 15% of the Co-op’s total milk solids and represented approximately 19% of Fonterra’s group operating earnings in the first half of FY24, with our Consumer businesses delivering strong underlying earnings.

“A divestment of these assets would help create a simpler, higher performing Co-op with our focus on our core Ingredients and Foodservice business and doing what we do best,” says Mr Hurrell.

“While these are great businesses with recent strengthening in performance and potential for more, ownership of these businesses is not required to fulfil Fonterra’s core function of collecting, processing and selling milk. Due to our co-operative structure, we believe prioritising our Ingredients and Foodservice channels and releasing capital in our Consumer and associated businesses would generate more value.

“At the same time, we

Our Performance



believe Fonterra is not the highest-value owner of the Consumer and associated businesses in the longer term and a divestment could allow a new owner with the right expertise and resources to unlock their full potential.

“This presents a great opportunity for these brands and businesses. While I recognise there’s a strong connection to brands such as Anchor, a new owner could help these businesses to flourish.

“We have also received unsolicited interest in parts of these businesses, making now a good time to consider their ownership,” says Mr Hurrell.

As a next step, Fonterra will appoint advisors to assist with assessing divestment options. “We recognise a divestment of this scale would be significant for Fonterra. Throughout this process we will be considering how best to

maximise overall returns to our farmer shareholders and unit holders.

“The choices we make when considering divestment options will be driven by a clear-eyed view of the best value creating pathway for the Co-op, both in terms of the potential proceeds from a sale and the ability for Fonterra to generate consistent economic returns over the long-term.

“Any decisions about use of net proceeds from a sale will be guided by our Resource Allocation Framework, which allocates funds to debt repayment, investment to support our strategy and distributions to shareholders and unit holders.

“We expect a divestment process to take at least 12 to 18 months. If we were to proceed with a divestment of this size we would seek shareholder support,” says Mr Hurrell.

In 2021, Fonterra released its long-term strategy Our Path to 2030 which included financial targets out to 2030. These targets were based on a strategy which included the businesses that are now in scope for potential divestment and, in these circumstances, it is appropriate for Fonterra to withdraw these financial targets.

It is also appropriate for Fonterra to terminate its on-market share buyback programme, which was expected to run until 13 August 2024.

“At all times, we remain committed to maximising returns through the Farmgate Milk Price and dividends, and achieving a strong return on capital that is greater than farmers’ cost of capital.

“Fonterra will continue to provide updates on our forecast Farmgate Milk Price and earnings guidance

as part of our quarterly reporting process or as required. Our FY24 forecast earnings are not impacted by this announcement.

The Co-op’s sustainability targets and associated investment plans remain unchanged. Fonterra also remains committed to improving cost efficiency across the Co-op and will continue to report progress against efficiency measures annually.

“Through our work to date, Fonterra has strong foundations which puts us in the position to consider where we will next invest for long-term growth.

“We intend to provide a further update on our revised long-term strategy in due course. This will include further detail on our plans to grow the long-term value of Fonterra and the measures through which we will track our progress,” says Mr Hurrell.



Fonterra crowned #1 cheesemaker in New Zealand

Fonterra showcased its mastery in cheesemaking at the 2024 New Zealand Champions of Cheese Awards, held in Hamilton on Thursday, May 2. The event crowned Fonterra as the leading cheesemaker in Aotearoa New Zealand.

Fonterra secured nine out of the 26 trophies presented, representing nearly one-third of all awards distributed. Among the awards was the Woolworths Champion of Champions title for NZMP Epicure and the MilkTestNZ Champion Cheesemaker award, claimed by Cathy Lang. This follows Fonterra's recent success at the New Zealand Cheese Awards, where the company amassed a total of 52 medals.

A standout of the evening was the victory of NZMP's Epicure Cheddar which was crowned the Champion of Champions. This aged cheddar, with its rich flavor profile, highlights Fonterra's commitment to crafting only the finest quality cheese.

The Champion of Champions title for Epicure Cheddar acknowledges the attention to detail and commitment to quality upheld by the team at Fonterra's Lichfield Cheese Plant. "This award recognises the entire team involved in the end-to-end process from milk reception to packing and distribution at Fonterra's



Lichfield Plant," said Dan Packwood, Process Project Manager at Lichfield Cheese.

Cathy Lang, Principal Technologist – Specialty Cheese at Fonterra, is an esteemed cheesemaker with over 18 years of experience. Lang was awarded Champion Cheesemaker title for the second time in three years. The award is the result of her exceptional skill, creativity, and dedication to the art of cheesemaking. To win this title, Lang submitted three FBNZ Kapiti specialty cheeses that she had developed.

"Winning the Champion Cheesemaker title is not just a personal milestone but a recognition of the collective passion and hard work of our entire team," said Lang. "It's about the art of crafting cheese that resonates with both the judges and cheese lovers alike. I look forward to continuing

to push the boundaries of cheesemaking."

Fonterra's Mainland Special Reserve Chilli & Garlic Brie, introduced to stores in late 2023, won two trophies, including the Champion New Cheese award. Fonterra's innovation excellence also extends to its win for the Anchor Traditional Cream Cheese, featuring the recently launched Gen 2 version of the product.

Louise Paulsen, Technical Engagement Manager, said "This is a significant win for us and acknowledges our leadership in this category."

From the indulgence of Kapiti Kikorangi Triple Cream Blue to the Anchor Traditional Cream Cheese, Fonterra's diverse cheese offerings captivated the judges. These awards are a testament to Fonterra's commitment to quality and innovation in the art of cheesemaking.

Supplementary Information

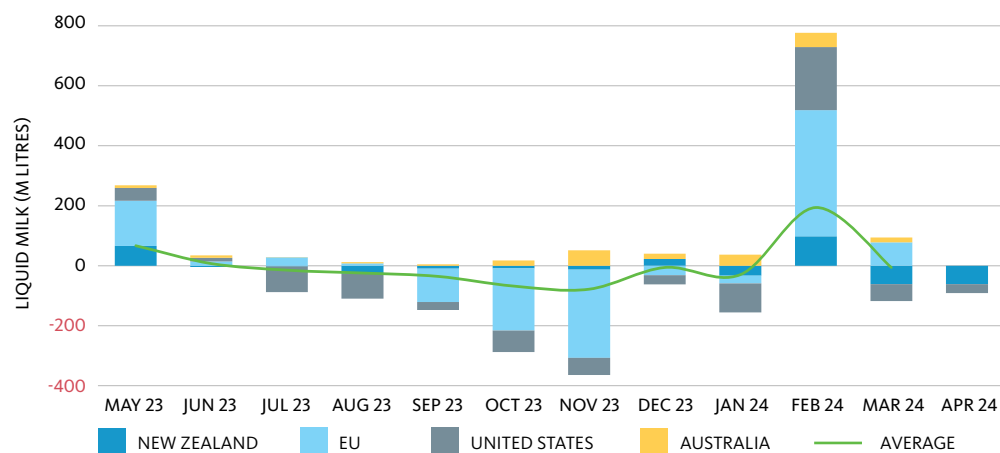
Global Dairy Market

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.

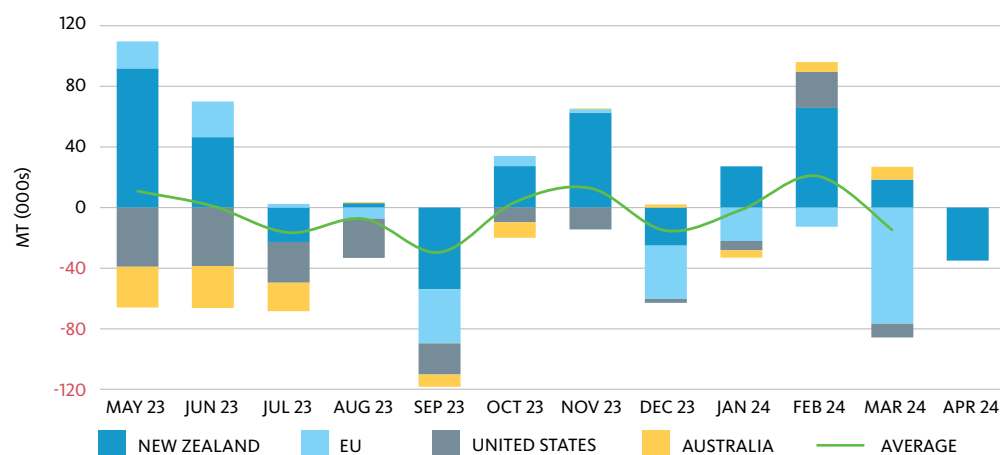
Averages are shown where data is complete for the regions presented.

PRODUCTION



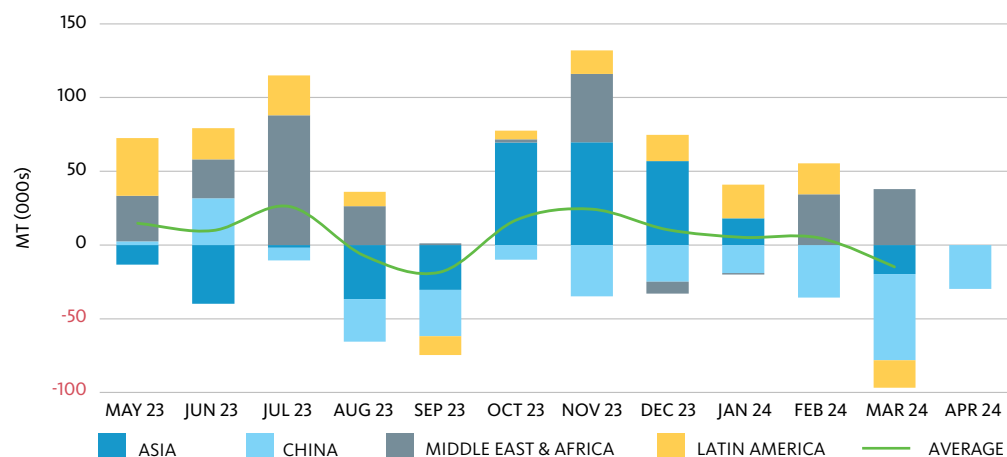
NOTE: Data for EU and Australia to March; New Zealand and US to April.

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; 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 2024	APRIL 2023	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	115.9	120.7	(4.0%)	1,399.3	1,404.7	(0.4%)
North Island	61.0	66.6	(8.3%)	796.5	825.1	(3.5%)
South Island	54.8	54.2	1.3%	602.8	579.5	4.0%
Australia	8.3	8.4	(0.7%)	91.7	90.8	1.0%

2023/24 season forecast Farmgate Milk Price (FGMP) update

ANNOUNCEMENT DATE	FORECAST NZD/USD RATE AT FGMP (NZD)		FORECAST NZD/USD RATE AT ANNOUNCEMENT DATE	FORECAST AVERAGE CONVERSION RATE FOR 2023/24 SEASON	PERCENTAGE OF FORECAST FOREIGN EXCHANGE EXPOSURE FOR 2023/24 SEASON HEDGED	PERCENTAGE OF FOREIGN EXCHANGE OPTION COVER REMAINING IN HEDGED AMOUNT
	RANGE	MID-POINT				
29 May 2024	\$7.70-\$7.90	\$7.80	0.6144	0.6126	99%	12%
21 March 2024	\$7.50-\$8.10	\$7.80	0.6082	0.6125	92%	17%

As at the most recent update to the 2023/24 season forecast Farmgate Milk Price dated 29 May 2024:

- Fonterra had hedged approximately 99% of the full year forecast USD cash flows related to the 2023/24 season Farmgate Milk Price.
- Of that 99%, approximately 12% was hedged with foreign exchange options which had not yet expired or been exercised.
- If the remaining 1% of the forecast USD cash flows were to be hedged at the 29 May 2024 spot rate of 0.6144, the average NZD/USD conversion rate for the 2024 season would be 0.6126.
- Also shown for information are the equivalent measures at the date of the previous update to the 2023/24 season Forecast Farmgate Milk Price on 21 March 2024.

2024/25 season forecast Farmgate Milk Price (FGMP) update

ANNOUNCEMENT DATE	FORECAST NZD/USD RATE AT FGMP (NZD)		FORECAST NZD/USD RATE AT ANNOUNCEMENT DATE	FORECAST AVERAGE CONVERSION RATE FOR 2024/25 SEASON	PERCENTAGE OF FORECAST FOREIGN EXCHANGE EXPOSURE FOR 2024/25 SEASON HEDGED	PERCENTAGE OF FOREIGN EXCHANGE OPTION COVER REMAINING IN HEDGED AMOUNT
	RANGE	MID-POINT				
29 May 2024	\$7.25-\$8.75	\$8.00	0.6144	0.6130	49%	11%

For the opening forecast Farmgate Milk Price for the 2024/25 season announced on 29 May 2024:

- Fonterra had hedged approximately 49% of the full year forecast USD cash flows related to the 2024/25 season Farmgate Milk Price.
- Of that 49%, approximately 11% was hedged with foreign exchange options which had not yet expired or been exercised.
- If the remaining 51% of the forecast USD cash flows were to be hedged at the 29 May 2024 spot rate of 0.6144, the average NZD/USD conversion rate for the 2024 season would be 0.6130.

Supplementary Information

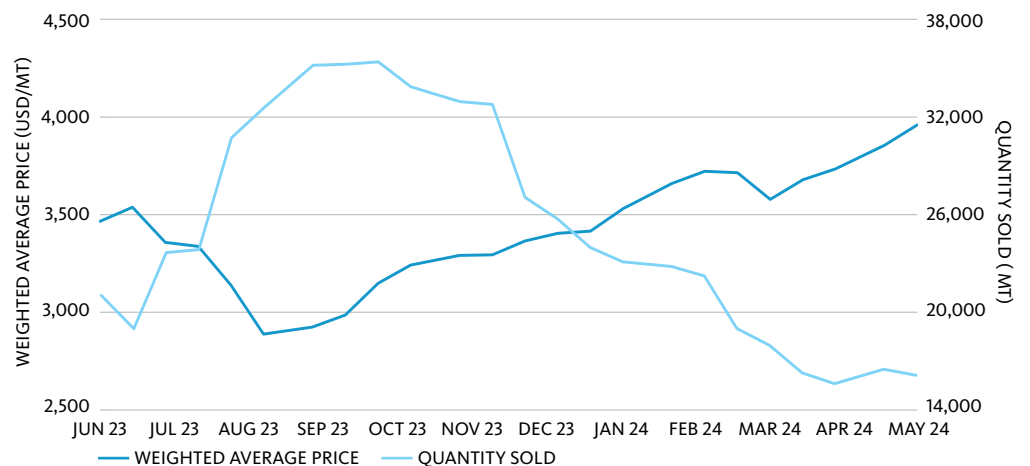
Fonterra GDT results

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

	LAST TRADING EVENT (21 MAY 2024)	YEAR-TO-DATE (FROM 1 AUGUST 2023)
Quantity Sold on GDT (Winning MT)	16,134	515,152
Change in Quantity Sold on GDT over same period last year	(19.0%)	(2.3%)
Weighted Average Product Price (USD/MT)	3,960	3,349
Change in Weighted Average Product Price over same period last year	12.3%	(7.7%)
Change in Weighted Average Product Price from previous event	2.7%	-

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.