



APRIL 2021

Global Dairy UPDATE



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

- Coal not in Fonterra's future.



- New Zealand, Australia and US exports show strong monthly growth. EU monthly exports down.



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



- Fonterra's New Zealand milk collection for March was 138.2 million kgMS, up 7.9% on March last season. March season-to-date collection was in line with last season, up 0.4%.
- Forecast Fonterra milk collection for the 2020/21 season increased to 1,535m kgMS from 1,525m kgMS.
- Fonterra's Australia collection for March was 8.1 million kgMS, a 1.6% increase compared to last season.

- Tanker trailer trial.

Key Dates



26 May 2021
FY21 Q3 Business Update

1 June 2021
Start of the 2021/22 Season

31 July 2021
End of Financial Year 2021

September 2021
FY21 Annual Results
Announcement



Increase in New Zealand monthly production. US monthly production up, EU and Australia down

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

NEW ZEALAND

9.8%↑

Change for March 2021 compared to March 2020

1.7%↑

Change for the 12 months to March 2021

New Zealand milk production¹ increased 9.8% on a litres basis in March compared to March last year, despite drier than average conditions across most of the country. Warm temperatures and above average rainfall in central North Island have contributed to the production growth in March.

New Zealand milk production for the 12 months to March was 1.7% higher than the comparable period last year.

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

AUSTRALIA

0.8%↓

Change for February 2021 compared to February 2020

2.4%↑

Change for the 12 months to February 2021

Australia milk production was down 0.8% in February compared to February last year.²

Labour challenges, reduced herd size and farm exits continue to constrain production.

Despite favourable early season production conditions, Dairy Australia reduced its milk production forecast from 1% to 3% growth to (1)% to 1% growth for the 2020/21 season.

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

EUROPEAN UNION

3.8%↓

Change for February 2021 compared to February 2020

0.2%↑

Change for the 12 months to February 2021

EU milk production³ decreased by 3.8% in February compared to the same period last year.²

Decreases were observed across most EU countries, particularly in Germany (down 2.4%), France (down 2.6%) and Netherlands (down 1.9%).

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

USA

1.8%↑

Change for March 2021 compared to March 2020

1.6%↑

Change for the 12 months to March 2021

US milk production increased by 1.8% in March, compared to the same period last year, and marks a total production monthly record for March of 8.7 billion litres.

US milk production continues to be driven by herd size expansion and higher milk per cow yield. March marked the highest monthly milk production per cow on record, up 1% on March last year.

Milk production for the 12 months to March was 1.6% higher compared to the same period last year.

¹ New Zealand production is measured in litres.

² February 2020 production numbers include one extra day as 2020 was a leap year.

³ Excludes UK.



New Zealand, Australia and US exports show strong monthly growth. EU monthly exports down

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

NEW ZEALAND

20.9%↑

Change for March 2021 compared to March 2020

1.6%↑

Change for the 12 months to March 2021

Total New Zealand dairy exports increased by 20.9%, or 61,795 MT, in March compared to the same period last year, the highest March volume on record.

The increase was driven by higher volumes of WMP, fluid milk products and cheese to China, up a combined 54,639 MT in March.

Exports for the 12 months to March were up by 1.6%, or 53,481 MT, on the previous comparable period. This was primarily driven by WMP and fluid milk products but partially offset by decreases in SMP, butter and infant formula.

AUSTRALIA

39.9%↑

Change for February 2021 compared to February 2020

6.6%↑

Change for the 12 months to February 2021

Australia dairy exports increased by 39.9%, or 21,292 MT, in February compared to the same period last year, which was lower than normal.²

The increase was driven by higher demand from China for SMP, up 9,525 MT, and fluid milk products, up 5,233 MT.

Exports for the 12 months to February were up 6.6%, or 48,261 MT, on the previous comparable period.

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

EUROPEAN UNION

8.6%↓

Change for January 2021 compared to January 2020

2.8%↑

Change for the 12 months to January 2021

EU dairy exports¹ decreased by 8.6%, or 50,036 MT, in January compared to the same period last year. January saw decreased shipments of cheese to the US due to ongoing retaliatory tariffs and reduced volumes of cultured products and infant formula to China.

Exports for the 12 months to January were up 2.8%, or 194,866 MT, on the previous comparable period.

Fluid milk products, whey and lactose were the main drivers of this growth, up a combined 286,082 MT. This was partially offset by a large decline in SMP, down 90,714 MT.

USA

12.7%↑

Change for February 2021 compared to February 2020

8.8%↑

Change for the 12 months to February 2021

US dairy exports increased 12.7%, or 23,950 MT, in February compared to the same period last year.²

The increase was led by SMP, with the strongest February on record, up 16,642 MT, and driven by higher volumes to Mexico, South East Asia, China and Pakistan, plus continued high demand for whey from China.

Exports for the 12 months to February 2021 were up 8.8%, or 204,875 MT, on the previous comparable period, driven by SMP, whey and WPC, up a combined 217,497 MT.

¹ Excludes UK.

² February 2020 numbers include one extra day as 2020 was a leap year.



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

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

LATIN AMERICA

4.5%↓

Change for January 2021 compared to January 2020

0.5%↑

Change for the 12 months to January 2021

Latin America dairy import volumes¹

decreased 4.5%, or 7,028 MT, in January compared to the same period last year.

The decrease was driven by lower imports of whey, lactose and MPC and MPI to Mexico, and WMP to Colombia. This was partially offset by higher volumes of fluid milk product, cheese and SMP.

Imports for the 12 months to January were up 0.5% compared to the same period the last year.

ASIA

0.8%↓

Change for January 2021 compared to January 2020

2.5%↓

Change for the 12 months to January 2021

Asia (excluding China) dairy import volumes¹

decreased 0.8% or 2,984 MT, in January compared to last January. The decrease was driven by lower volumes of WMP, predominately to Vietnam, Thailand, Sri Lanka and Bangladesh, down 14,205 MT. This was partially offset by higher volumes of fluid milk products, MPC and butter.

Imports for the 12 months to January were down 2.5%, or 122,965 MT, compared to the same period last year. Decreases were recorded across WMP, SMP, whey and butter, down a combined 178,375 MT, partially offset by increased volumes of lactose and cheese, up 61,524 MT.

MIDDLE EAST & AFRICA

19.0%↓

Change for January 2021 compared to January 2020

2.3%↓

Change for the 12 months to January 2021

Middle East and Africa dairy import volumes¹

decreased 19.0%, or 62,732 MT, in January 2021 compared to the same period last year.

The decrease was driven predominantly by WMP and SMP to Algeria, Nigeria and Saudi Arabia, down a combined 47,037 MT.

Imports for the 12 months to January were down 2.3%, or 87,951 MT, compared to January last year, driven by decreases in fluid milk products and butter and partially offset by increases in SMP and WMP.

CHINA

24.6%↑

Change for February 2021 compared to February 2020

16.1%↑

Change for the 12 months to February 2021

China dairy import volumes

increased by 24.6%, or 77,646 MT, in February compared to the same period last year.

The increased volumes were led by fluid milk products, up 35%, driven by New Zealand, Germany and Poland, plus whey, up 24%, driven by the US.

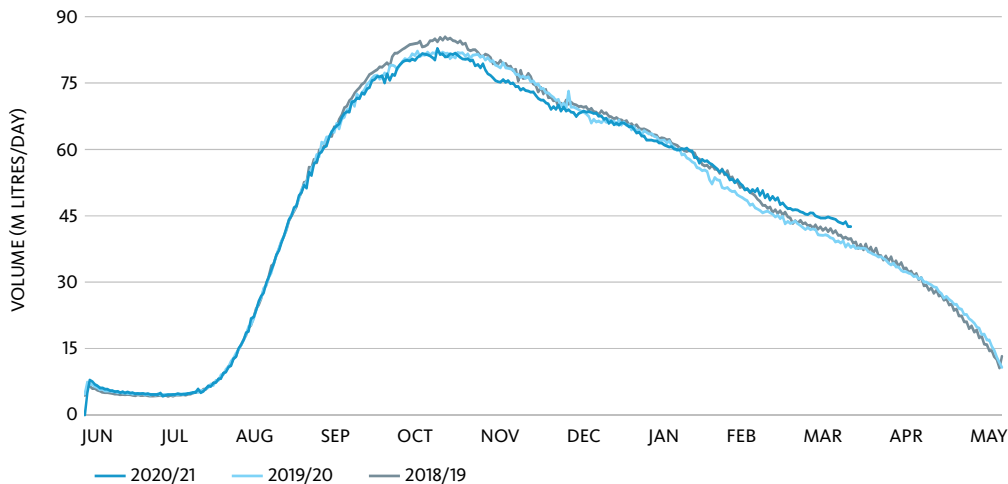
Imports for the 12 months to February were up 16.1%, or 508,067 MT, driven by whey, fluid milk products, SMP and lactose.

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

7.9%↑
Change for March 2021 compared to March 2020

0.4%↑
Season to date 1 June to 31 March

Fonterra's New Zealand collection for March was 138.2 million kgMS, 7.9% higher than the same month last season, driven by North Island collections.

Season-to-date collection was 1,345.8 million kgMS, 0.4% higher than last season.

Most regions had good levels of supplementary feed on hand from good conditions earlier in the season and late rain in February in the North Island benefitted production in March.

March was drier than average across the north and east of both islands, with soil moisture levels by the end of March being below normal for the time of year across many regions.

NORTH ISLAND

17.7%↑
Change for March 2021 compared to March 2020

1.5%↑
Season to date 1 June to 31 March

North Island milk collection in March was 74.7 million kgMS, 17.7% higher than March last season.

Season-to-date collection was 805.4 million kgMS, 1.5% ahead of last season.

Collections in March were strong off the back of late February rain allowing good pasture growth in March. Although up significantly on the same month last year, March 2020 collections were low due to very dry conditions.

Outlook for New Zealand

SOUTH ISLAND

1.7%↓
Change for March 2021 compared to March 2020

1.3%↓
Season to date 1 June to 31 March

South Island milk collection in March was 63.4 million kgMS, behind 1.7% on March last season.

Season-to-date collection was 540.3 million kgMS, 1.3% behind last season.

The north of the South Island saw close to average temperatures for March, while the rest of the island was above average. Other than the West Coast, rainfall for the South Island was below average.

South Island collections were down on March 2020, but close to average for this time of the season.

AUSTRALIA

1.6%↑
Change for March 2021 compared to March 2020

1.4%↓
Season to date 1 July to 31 March

Fonterra's Australia collection in March was 8.1 million kgMS, a 1.6% increase on March last season.

Favourable autumn conditions across Victoria and Tasmania have stabilised milk production.

Lower herd numbers combined with increased consumption of lower quality home-grown fodder instead of supplementary feed are continuing to impact milk production growth across Australia.

Season-to-date collections were down 1.4% on last year.

Forecast Fonterra milk collection for the 2020/21 season

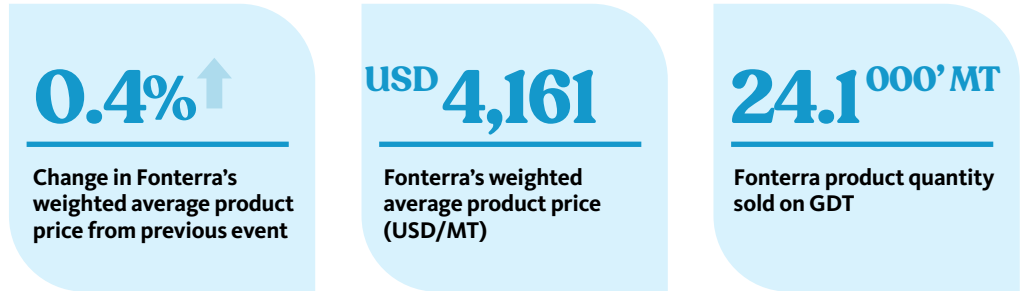
1,535M
kgMS
from 1,525m kgMS

OUR MARKETS

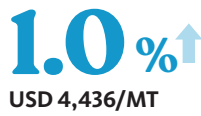
Fonterra Global Dairy Trade Results



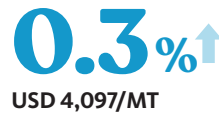
Fonterra GDT results at last trading event
20 April 2021:



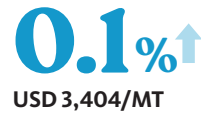
CHEDDAR



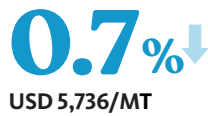
WMP



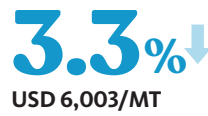
SMP



BUTTER

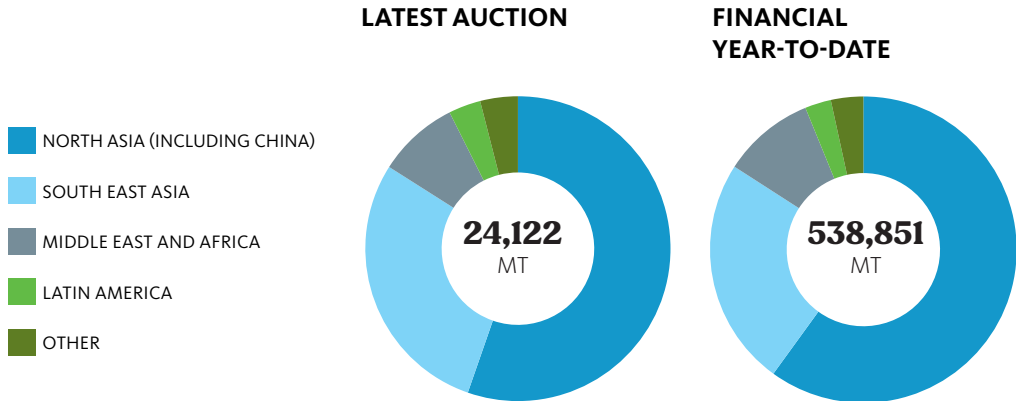


AMF



Fonterra GDT sales by destination:

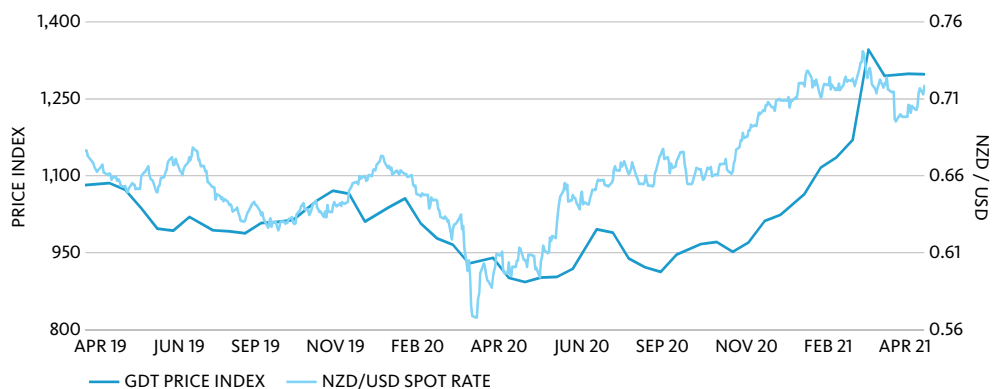
To view more information, including a snapshot of the rolling year-to-date results –



▶ The next trading event will be held on 4 May 2021. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

The NZD/USD exchange rate declined late in March and into early April driven by broad USD strength, as the US economy improved, and as reaction to the NZ Government's housing policy actions placed downward pressure on the NZD. However, toward month end the NZD had recovered to 72 US cents.





Coal not in Fonterra's future

Fonterra has been working on its transition to renewable energy for some time and says it can, and will, get out of coal, with a couple of practical constraints.

Nine of its 29 sites use coal and Chief Operating Officer Fraser Whineray says there's been a lot of progress over the last few years to get the Co-op to a position where it can make this commitment.

"With customers in more than 140 countries we have global insights and long-term trends supporting these actions, which have been in progress for some time.

"Last year we achieved our target of a 20 per cent reduction in energy intensity from a 2003 baseline after making thousands of improvements across sites here in New Zealand. Lifting energy efficiency is a valuable pre-requisite to larger investments.

"More recently we reduced the total quantity of coal we use by 10 per cent when we converted our Te Awamutu site to burn wood pellets and this builds on our experience from converting our Brightwater site in 2018 to co-fire on wood biomass."

Conversion or replacement of existing coal boilers to renewable energy is a significant, logistical, technical and financial undertaking.

"We've built a lot of capability in-house and with partners in New Zealand and internationally and this provides us with comfort that solutions are sustainable.

"It's important to us that New Zealand continues to be at the forefront of sustainable food production

– and getting out of coal is one way we can help with this.

"We already have the lowest carbon footprint among major milk producers around the world and we want to continue to build on this competitive advantage," says Whineray.

"While we're working on this transition, we need to make sure we can deliver on our customers' needs and process our farmer owners' milk. There is only a small window between each milking season when we can undertake the necessary engineering work to make key changes on the remaining sites.

"We'll also need to make sure we can get the right specialist skills and equipment into the country at the right time, beyond the extensive local capabilities. And we'll need to have a secure gas supply for our existing gas-fired boilers. Fonterra says the Climate Change Commission's recommendations are broadly in line with the steps the Co-op is taking to put sustainability at the core of everything it does.

Other key aspects to Fonterra's submission.

Transport

- The Co-operative is supportive of increased electric vehicles and use of low carbon fuels and is implementing a new policy that will see 30% of its light fleet transition to EVs by 2024 and more charging stations installed at its sites by the end of 2021
- The recent roll out of the Milk Vat Monitoring systems that have been installed on farms has

created opportunities to optimise our tanker pick-up schedules allowing us to budget for five less tankers from next year.

Land – Agriculture

- The Commission's recommendations align very closely with the steps that Fonterra is already actively working towards through The Co-operative Difference.
- Fonterra is supportive of developing a long-term plan for research and development working with government and industry on the methane challenge.
- Fonterra is concerned that some of the productivity assumptions underpinning the Commission's modelling, that show a maintenance of current total milk production, are very ambitious and will be difficult to meet. The model used considers different factors and assumptions resulting in a stock rate reduction of 15% by 2035. This reduction will likely come as a by-product of other policies and regulations from Government rather than a blanket rule that will be imposed.

[For Fonterra's full submission in response to the Climate Change Commission's recommendations –](#)



Tanker trailer trial

Fonterra has three new tanker trailer designs on the road as part of a trial to find a more sustainable, efficient option for our nationwide milk pick-ups. While two of the trailers were designed and built by transport engineering companies, the third was designed by one of the Co-operative's own tanker operators, Bill Groves. The Reporoa-based driver has been dreaming up his trailer for the past seven years and he and Fonterra's Transport team are proud to see it finally on the road.

Bill drew from his experience as a logging truck driver as well as his time with Fonterra to build a trailer which would be more efficient and manoeuvrable under heavier loads. The other two trailers were designed by outside companies that specialise in trucks and trailers – Longveld/TRT and Domett.

The aim of all three new designs is to get better on-farm manoeuvrability, higher

milk collection capacity, economy and efficiency for our tanker fleet. It's hoped they'll increase milk collection productivity by 8-10%, resulting in reduced kilometres, less fuel and fewer tankers on the road – which all helps to improve our sustainability.

The classic tanker trailer holds up to 15,000 litres of milk, whereas the three new designs are two metres longer and can hold up to 21,000 litres.

By co-operating with industry-specialists as well as our own tanker operators, Fonterra has drawn from a wide range of experience to step into the next generation of sustainable milk pick-ups and deliveries. Over the next 12 months the three new trailers will undergo testing to see which one performs the most efficiently and which will be the safest on the roads for our operators and communities.

Groves Trailer

- Features a linked double bogie to give it improved manoeuvrability and safety when entering and exiting a corner.
- It's the first of its design – patent pending!

Domett's Gen 4 trailer

- Back two wheels steer with the front of the vehicle, making it more manoeuvrable.
- The tank is more oval in shape, meaning it is lower to the ground making it more stable.

Longveld/TRT trailer

- A joint venture design between Longveld and TRT
- Elliptical in shape making it strong and more stable on the roads and also easier to clean inside the tanks.
- Five axle design with rear steer for better manoeuvrability.



Supplementary Information

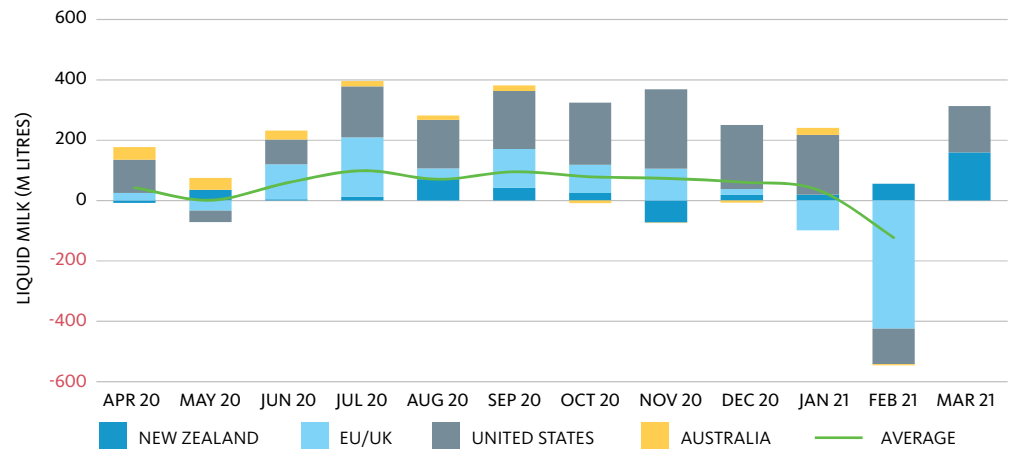
Global Dairy Market

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.

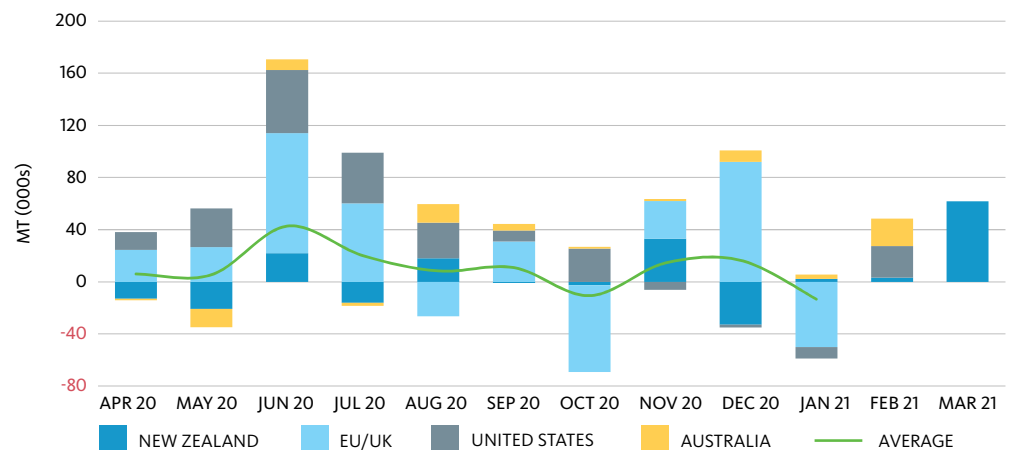
Averages are shown where data is complete for the regions presented.

PRODUCTION



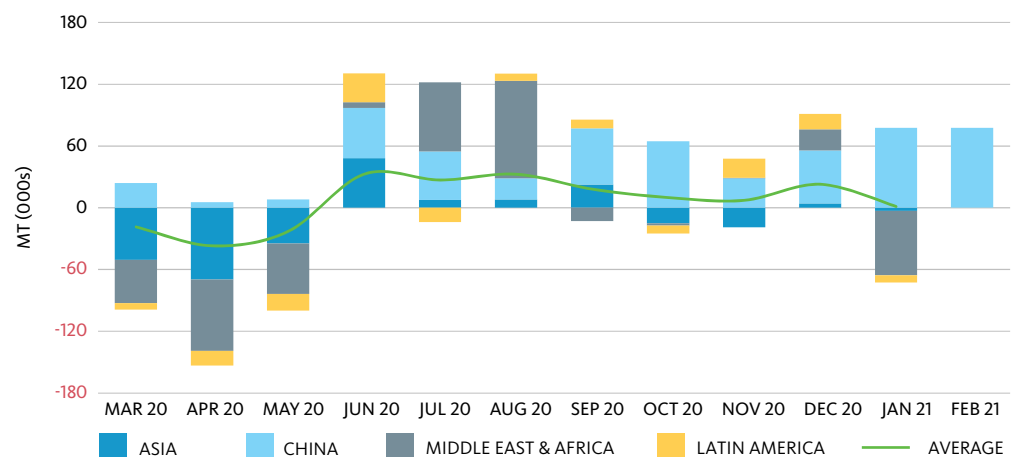
NOTE: Data for EU/UK and Australia to February; New Zealand and US to March.

EXPORTS



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

IMPORTS



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

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)	MARCH 2021	MARCH 2020	MONTHLY CHANGE	SEASON-TO-DATE 2020/21	SEASON-TO-DATE 2019/20	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	138.2	128.0	7.9%	1,345.8	1,340.9	0.4%
North Island	74.7	63.5	17.7%	805.4	793.5	1.5%
South Island	63.4	64.5	(1.7%)	540.3	547.4	(1.3%)
Australia	8.1	8.0	1.6%	84.1	85.3	(1.4%)

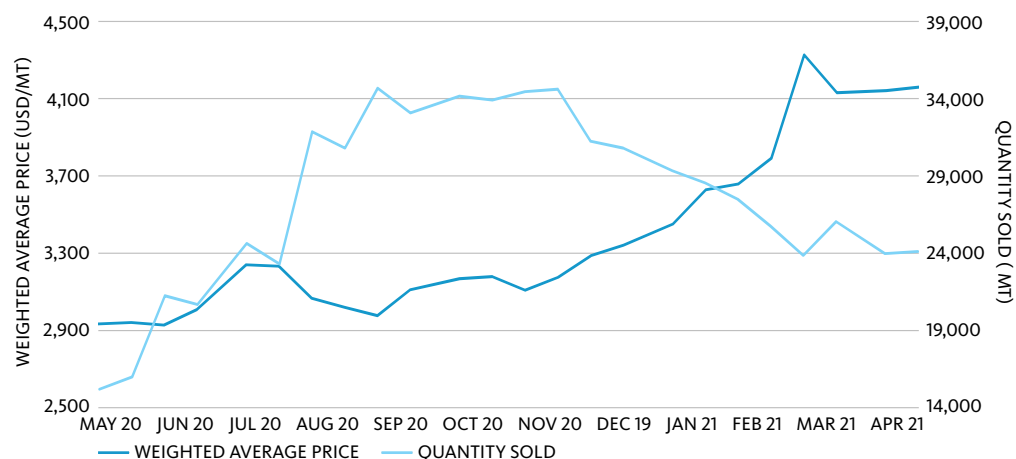
Fonterra GDT results

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

	LAST TRADING EVENT (20 APRIL 2021)	YEAR-TO-DATE (FROM 1 AUGUST 2020)
Quantity Sold on GDT (Winning MT)	24,122	538,851
Change in Quantity Sold on GDT over same period last year	22.2%	(5.0%)
Weighted Average Product Price (USD/MT)	4,161	3,433
Change in Weighted Average Product Price over same period last year	43.7%	3.6%
Change in Weighted Average Product Price from previous event	0.4%	-

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