



JUNE 2024

# Global Dairy UPDATE



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

- Fonterra marks 10-year milestones in China Foodservice growth story.



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



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



- Fonterra's New Zealand collections for the season ended 31 May were 1,470.9 million kgMS, 0.6% below last season.
- Fonterra's Australia collections in May were 8.6 million kgMS, 1.0% ahead of May last season. Season-to-date collections were 100.2 million kgMS, 1.0% ahead of last season.

- Chinese Premier visits Fonterra's headquarters in Auckland.

## Key Dates



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 May, see page 5 for details.

### AUSTRALIA

2.5%↑

Change for April 2024 compared to April 2023

2.8%↑

Change for the 12 months to April 2024

**Australia milk production** increased 2.5% in April compared to the same period the year prior.

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

Australia milk production for the 12 months to April was up 2.8% on the previous comparable period.

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

### EUROPEAN UNION

1.1%↑

Change for April 2024 compared to April 2023

0.2%↑

Change for the 12 months to April 2024

**EU milk production<sup>1</sup>** increased 1.1% in April compared to the same period the year prior.

The production increase was driven by growth in Eastern European countries, offsetting production declines in Western Europe due to unfavourable weather conditions.

EU milk production for the 12 months to April was up 0.2% 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.

<sup>1</sup> Excludes UK.



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

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

### NEW ZEALAND

**2.4%** ↓

Change for May 2024 compared to May 2023

**2.8%** ↑

Change for the 12 months to May 2024

**Total New Zealand dairy exports** decreased 2.4%, or 8,426 MT, in May compared to the same period the year prior.

The decrease was mainly due to ongoing lower export volumes of WMP, fluid milk products and cream to China. This was partially offset by increased export volumes of cheese to Southeast Asia and the UK.

Exports for the 12 months to May were up 2.8%, or 96,971 MT, on the previous comparable period.

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

### AUSTRALIA

**26.2%** ↑

Change for April 2024 compared to April 2023

**9.3%** ↓

Change for the 12 months to April 2024

**Australia dairy exports** increased 26.2%, or 11,728 MT, in April compared to the same period the year prior.

The increase in exports was mainly due to clearing additional inventory held this year compared to prior year.

Exports for the 12 months to April were down 9.3%, or 67,896 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

**5.5%** ↑

Change for April 2024 compared to April 2023

**1.6%** ↓

Change for the 12 months to April 2024

**EU dairy exports** increased 5.5%, or 29,434 MT, in April compared to the same period the year prior.

The increase was mainly due higher export volumes of SMP to the Middle East and North Africa, alongside higher export volumes of whey and infant formula to Southeast Asia.

Exports for the 12 months to April were down 1.6%, or 105,249 MT, on the previous comparable period.

This was mainly due to relatively lower export volumes of infant formula, fluid milk products and cultured products.

### USA

**7.5%** ↑

Change for April 2024 compared to April 2023

**5.3%** ↓

Change for the 12 months to April 2024

**US dairy exports** increased 7.5%, or 16,629 MT, in April compared to the same period the year prior.

The increase was mainly due ongoing high export volumes of cheese with shipments to Mexico at an all-time high, alongside increased export volumes of fluid milk products and butter.

Exports for the 12 months to April were down 5.3%, or 153,336 MT, on the previous comparable period.

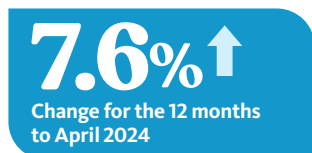
This was mainly due to lower export volumes of whey powder and SMP as demand decreased from China and Mexico.



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

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

### LATIN AMERICA



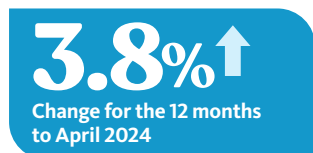
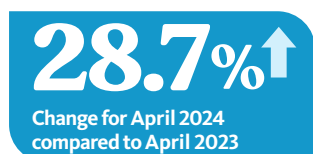
**Latin America dairy import volumes<sup>1</sup>** increased 14.6%, or 28,879 MT, in April compared to the same period the year prior.

The increase was mainly due to ongoing high import volumes of cheese by Mexico and WMP by Cuba.

Imports for the 12 months to April were up 7.6%, or 178,470 MT, on the previous comparable period.

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

### ASIA



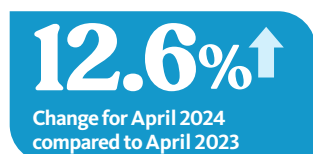
**Asia (excluding China) dairy import volumes<sup>1</sup>** increased 28.7%, or 111,025 MT, in April compared to the same period the year prior.

The increase was mainly due to higher import volumes of whey by Indonesia, and SMP and fluid milk products by the Philippines.

Imports for the 12 months to April were up 3.8%, or 187,099 MT, on the previous comparable period.

This was mainly due to higher import volumes of fluid milk products and WMP by Southeast Asia.

### MIDDLE EAST & AFRICA



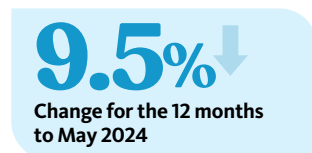
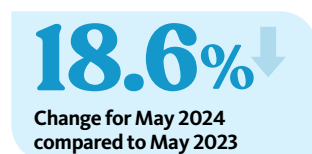
**Middle East and Africa dairy import volumes<sup>1</sup>** increased 12.6%, or 58,088 MT, in April compared to the same period the year prior.

The increase was driven by continued high import volumes of SMP by Saudi Arabia, and WMP by Kuwait and Nigeria.

Imports for the 12 months to April were up 6.1%, or 335,172 MT, on the previous comparable period.

This was mainly due to higher volumes of SMP by Saudi Arabia, WMP to UAE, and cultured products by Iraq.

### CHINA



**China dairy import volumes** decreased by 18.6%, or 53,782 MT, in May compared to the same period the year prior.

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

Imports for the 12 months to May were down 9.5%, or 303,127 MT, on the previous comparable period.

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

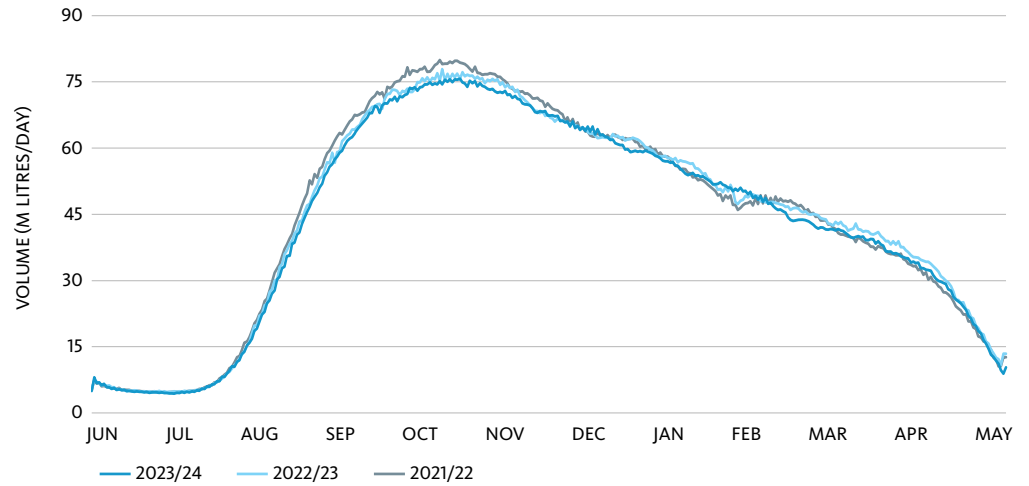
<sup>1</sup> Estimates are included for those countries that have not reported data.

# Fonterra Milk Collections



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

**5.6%** ↓

Change for May 2024 compared to May 2023

**0.6%** ↓

For the 2023/24 Season compared to previous season

**Fonterra's New Zealand collections** for May were 71.6 million kgMS, 5.6% below May last season.

The decrease was mainly due to unfavourable pasture quality impacting collections in the North Island, in addition to dry weather conditions across the South Island leading to lower collections.

The 2023/24 season milk collections were finalised at 1,470.9 million kgMS, 0.6% below last season.

### NORTH ISLAND

**3.7%** ↓

Change for May 2024 compared to May 2023

**3.5%** ↓

For the 2023/24 Season compared to previous season

**North Island** milk collections in May were 35.5 million kgMS, 3.7% below May last season.

The decrease was due to unfavourable conditions causing farmers to rely on supplementary feed for their herds. This was partially offset by some areas experiencing increased pasture growth.

The 2023/24 season milk collections were finalised at 832.0 million kgMS, 3.5% below last season.

### SOUTH ISLAND

**7.3%** ↓

Change for May 2024 compared to May 2023

**3.3%** ↑

For the 2023/24 Season compared to previous season

**South Island** milk collections in May were 36.1 million kgMS, 7.3% below May last season.

The decrease was mainly due to unfavourable weather conditions, with dry and cold regions causing some farmers to dry-off earlier than expected.

The 2023/24 season milk collections were finalised at 638.9 million kgMS, 3.3% above last season.

### AUSTRALIA

**1.0%** ↑

Change for May 2024 compared to May 2023

**1.0%** ↑

Season-to-date 1 July to 31 May compared to prior season

**Fonterra's Australia collections** in May were 8.6 million kgMS, 1.0% ahead of May last season.

The increase was mainly due to favourable weather conditions and availability of irrigation water, resulting in increased pasture quality and availability.

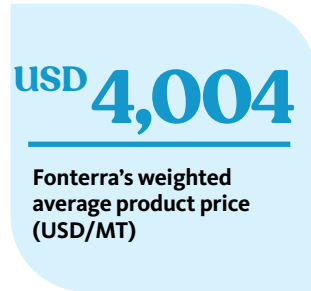
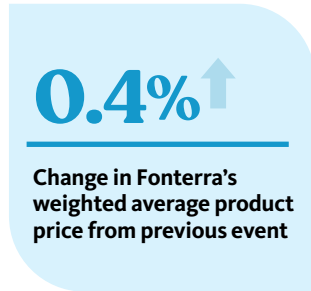
Season-to-date collections are 100.2 million kgMS, 1.0% above last season.

OUR MARKETS

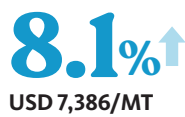
# Fonterra Global Dairy Trade Results



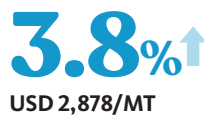
Fonterra GDT results at trading event 358  
18 June 2024:



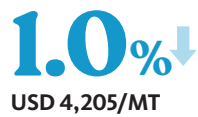
**BUTTER**



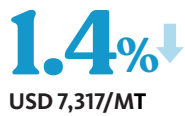
**SMP**



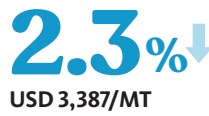
**CHEDDAR**



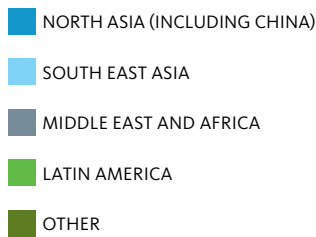
**AMF**



**WMP**

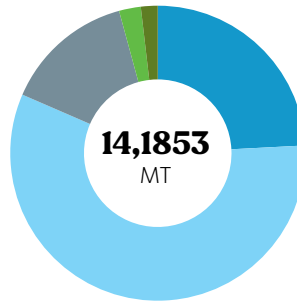


Fonterra GDT sales by destination:

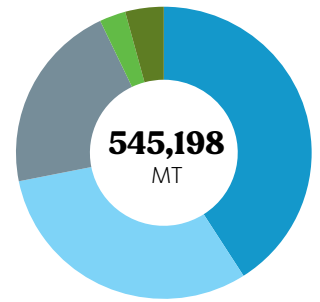


To view more information, including a snapshot of the rolling year-to-date results –

**LATEST AUCTION**



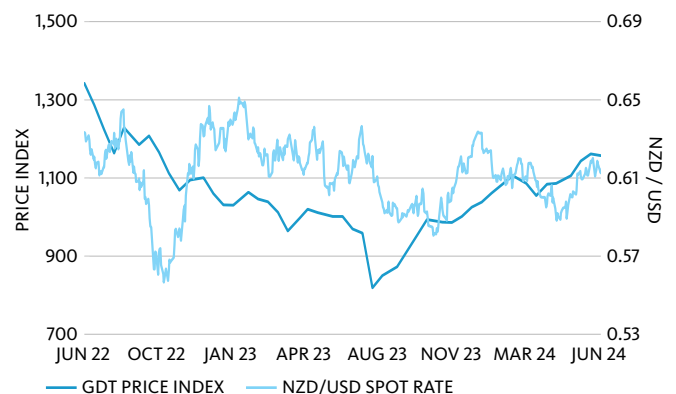
**FINANCIAL YEAR-TO-DATE**



▶ The next trading event will be held on 2 July 2024. Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information.

## Dairy commodity prices and New Zealand dollar trend

Deliberations over the timing and degree of US interest rate cuts continues to set sentiment and drive direction across most financial markets. While US economic activity has eased somewhat, the labour market remains resilient and the pace of reductions in underlying inflation slowed, prompting the US Federal Reserve to adjust their interest rate guidance – their mantra being ‘higher for longer’. The NZD/USD exchange rate consolidated between 61 and 62 US cents.





## Fonterra marks 10-year milestones in China Foodservice growth story

As two sites at the heart of Fonterra's Foodservice business celebrate their 10th anniversaries, the Co-operative announced it will open its sixth application centre to meet growing demand.

In 2014, Fonterra opened its Waitoa UHT manufacturing site in the Waikato, which specialises in commercially producing UHT cream products for growing markets. Waitoa UHT is a large employer for the region, growing from 80 employees in 2014 to more than 200 in 2024.

In the same year, Fonterra opened its first-ever Fonterra Application Centre (FAC) in Shanghai, with the centres playing an important role in the Co-op's Foodservice business by enabling Fonterra to partner with local customers and develop product applications designed to meet local consumer tastes and trends.

Fonterra is pleased to confirm it will open its sixth application centre in China later this year, located in Wuhan, with construction now underway. This application centre will add to those in Beijing, Chengdu,

Guangzhou, Shanghai and Shenzhen.

CEO Miles Hurrell says Fonterra's Greater China Foodservice business is a key part of the Co-op's value-add strategy, with the cream products produced at Waitoa UHT contributing strongly to this success.

"The formula for our foodservice whipping cream was developed by our expert team at Fonterra's Research and Development Centre in Palmerston North and is an excellent example of how we use innovation to add value to farmers' milk.

"This product alone is used in approximately 400 million beverages and 260 million cakes in Chinese bakery stores each year and we've seen a continued increase in demand since 2014.

"Our application centres play a pivotal role in driving innovation and tailoring Fonterra's Foodservice offerings to the tastes, culture and trends of the area in which they're located. They include different spaces and equipment to enable technical experts and experienced chefs to test and develop new products,



often in collaboration with customers.

"The addition of a new application centre in China signals the continued growth we expect to see from our Greater China Foodservice business and this will likely lead to further growth in demand for our foodservice cream products, which we are well set up to cater for," says Mr Hurrell.

In FY23, Fonterra's Greater China Foodservice business reported \$2.2 billion in revenue with gross margins of 17.9%. Fonterra's CEO of Greater China Teh-han Chow says the high-quality product coupled with the local expertise the application centres provide gives Fonterra a competitive edge in China.

Fonterra's Foodservice business sells to businesses that cater for out of home consumption (bakeries, cafes and global Quick Service Restaurant chains). Fonterra partners with Foodservice customers to test and develop products for their

kitchens, using its network of FACs and professional chefs.

"While we already have a strong Foodservice business in China, we're looking to continue to grow. By working closely with customers to create product applications that help their businesses to thrive, we can all benefit from the opportunities the China market presents."

Fonterra's Foodservice business is also growing in Southeast Asia, particularly in the bakery channel, with the emergence of specialty bakery and lifestyle cafes across the region. Like China, in-market chefs assist the team in developing new local applications based on consumer needs.

Fonterra considers the needs of each customer and market and work to their needs. There is a strong connection between category, markets, FRDC, technical excellence and operations, who all link together to deliver high-value, innovative dairy products.



## Chinese Premier visits Fonterra's Auckland headquarters

As part of an official visit to New Zealand, Premier Li Qiang visited the Fonterra Centre in Auckland on 15 June accompanied by New Zealand Prime Minister Christopher Luxon, Trade Minister Todd McClay, as well as a host of other officials.

Fonterra's CEO Miles Hurrell kicked off the proceedings with a speech that was warmly received, talking about the Co-op's strong relationship with our partners in China.

"China's economic growth has gone hand-in-hand with increasing demand for our high-quality dairy ingredients and growth of our Foodservice business in China," says Hurrell. "Underpinning Fonterra and our customers' shared successes is the strong relationship between our two countries."

During the event, Fonterra showcased the Co-op's business in China with a

range of its Foodservice and Ingredients products on display.

Hurrell says Fonterra continues to invest in innovation in China's dairy sector.

"We have five Fonterra application centres in China, helping to develop new dairy products and supporting our customers adapt to market trends."

The Co-op will open its sixth application centre in Wuhan this year.

"Our application centres play a pivotal role in driving innovation and tailoring Fonterra's Foodservice offerings to the tastes, culture and trends of the area in which they're located," says Hurrell.

The application centres include different spaces and equipment to enable technical experts and experienced chefs to test and develop new products, often in collaboration with customers.



From left: President Fonterra Greater China Teh-han Chow; Fonterra CEO Miles Hurrell; Premier Li Qiang; Prime Minister Christopher Luxon; Fonterra Chair Peter McBride; Trade Minister Todd McClay, Managing Director Co-operative Affairs Mike Cronin





# Supplementary Information

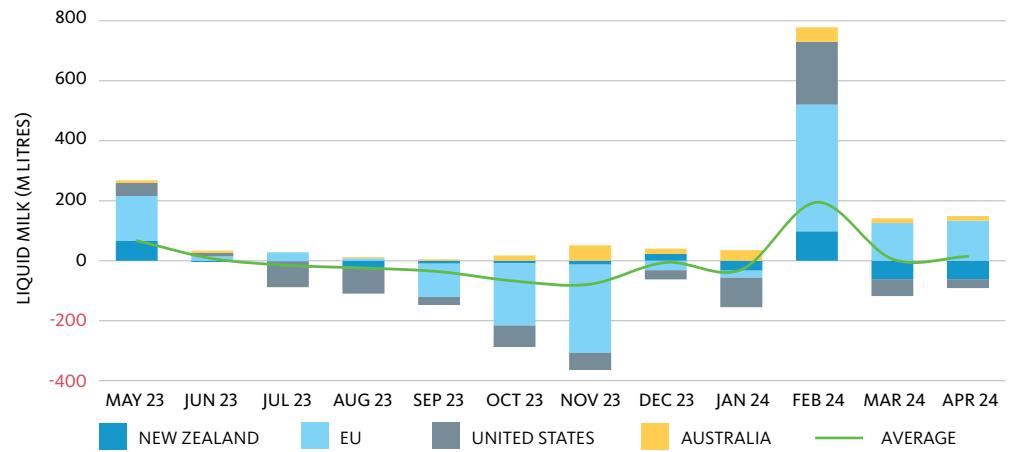
## Global Dairy Market

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.

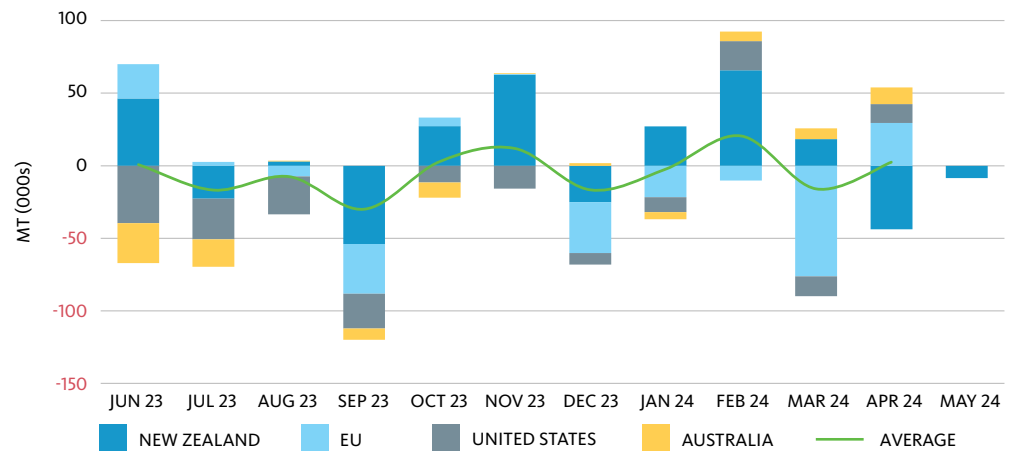
Averages are shown where data is complete for the regions presented.

### PRODUCTION



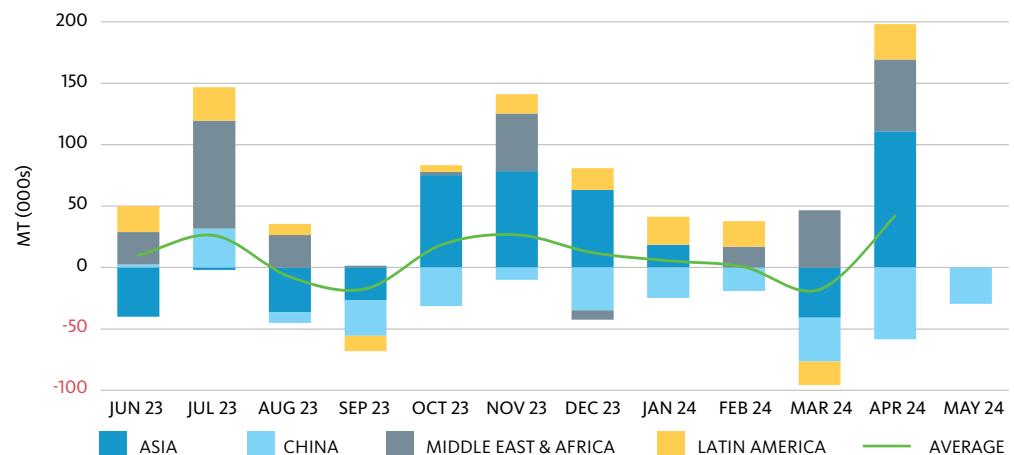
NOTE: Data for New Zealand, EU, US and Australia to April.

### EXPORTS



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

### IMPORTS



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

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)	MAY 2024	MAY 2023	MONTHLY CHANGE	SEASON-TO-DATE 2023/24	SEASON-TO-DATE 2022/23	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	71.6	75.9	(5.6%)	1,470.9	1,480.6	(0.6%)
North Island	35.5	36.9	(3.7%)	832.0	862.1	(3.5%)
South Island	36.1	39.0	(7.3%)	638.9	618.5	3.3%
Australia	8.6	8.5	1.0%	100.2	99.3	1.0%

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

ANNOUNCEMENT DATE	FORECAST NZD/USD RATE AT FGMP (NZD)		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)		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

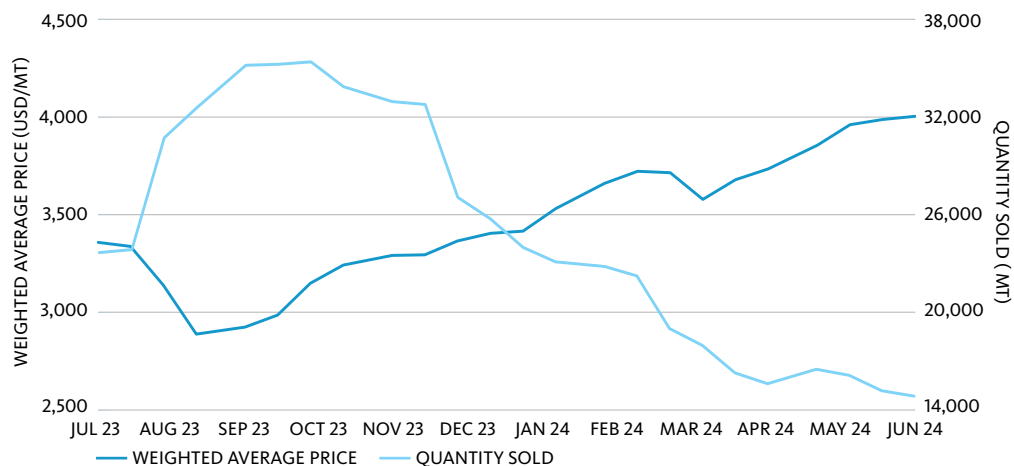
## Fonterra GDT results

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

	LAST TRADING EVENT (18 JUNE 2024)	YEAR-TO-DATE (FROM 1 AUGUST 2023)
Quantity Sold on GDT (Winning MT)	14,853	545,198
Change in Quantity Sold on GDT over same period last year	(21.8%)	(3.9%)
Weighted Average Product Price (USD/MT)	4,004	3,385
Change in Weighted Average Product Price over same period last year	13.2%	(6.5%)
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

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## 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.