

JUNE 2022

Global Dairy UPDATE



- New Zealand production ends season down on previous season. Monthly declines observed across all regions.

- Fonterra provides milk price, performance, and strategy update.



- New Zealand, EU and US monthly exports decline, Australia exports continue to grow.



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

- Cream of the crop.



- Fonterra New Zealand milk collections for the season ended 31 May were 1,478.0 million kgMS, down 4.0% on prior season.
- Fonterra Australia collections for May were 8.0 million kgMS, a 2.6% increase on May last season, and down 0.9% for the season to date compared to prior season.

Key Dates



31 July 2022
End of FY22 Financial Year

September 2022
FY22 Annual Results
Announcement

November 2022
Fonterra Co-operative Group
Annual Meeting

November 2022
Fonterra Shareholders' Fund
Annual Meeting



New Zealand production ends season down on previous season. Monthly declines observed across all regions

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

NEW ZEALAND

6.5%↓

Change for May 2022 compared to May 2021

4.2%↓

Change for the 12 months to May 2022

New Zealand milk production¹ decreased 6.5% on a litres basis, (down 6.8% on milk solids basis) in May compared to the same period the year prior.

Generally warm and dry conditions continued into the first part of May, followed by colder and more unsettled weather in the second part of the month, impacting pastures and milk production.

Full season New Zealand milk production for the 12 months to May was down 4.2% on the year prior.

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

AUSTRALIA

6.6%↓

Change for April 2022 compared to April 2021

2.8%↓

Change for the 12 months to April 2022

Australia milk production decreased 6.6% in April compared to the same period the year prior.

Below average autumn rainfall, combined with labour constraints, and increasing input prices continue to impact milk production.

Australia milk production for the 12 months to April was 2.8% lower than the year prior.

Both Dairy Australia and Rabobank have revised their FY22 forecasts down to a decline of around 3.5%.

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

EUROPEAN UNION

0.5%↓

Change for March 2022 compared to March 2021

0.1%↑

Change for the 12 months to March 2022

EU milk production² was down 0.5% in March compared to the same period the year prior as rising input costs impacted production across many regions.

Production declines were observed in Germany, Netherlands, France and Ireland and largely offset by increases in Italy and Poland.

EU milk production for the 12 months to March was up 0.1% compared to the same period the year prior, driven by increases in Italy, Ireland, Poland and Hungary and offset by decreases in Germany, Netherlands and France.

USA

0.7%↓

Change for May 2022 compared to May 2021

0.0%

Change for the 12 months to May 2022

US milk production decreased by 0.7% in May, compared to the same period the year prior.

The decrease in production for the seventh consecutive month continues to be driven by smaller herd sizes as cow numbers are rebuilding at a slow pace.

Milk production for the 12 months to May was flat compared to the same period the year prior.

1 New Zealand production is measured in litres.

2 Excludes UK.



New Zealand, EU and US monthly exports decline. Australia exports continue to grow

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

NEW ZEALAND

18.6%↓

Change for May 2022 compared to May 2021

4.3%↓

Change for the 12 months to May 2022

Total New Zealand dairy exports were down 18.6%, or 58,995 MT, in May compared to the same period the year prior. Exports of WMP, SMP and fluid milk products to China declined sharply year on year as COVID lockdown disruptions continued. Exports of WMP to Sri Lanka were also weaker. Exports for the 12 months to May were down by 4.3%, or 150,161 MT, on the previous comparable period. This was primarily driven by decreases in WMP, cheese and AMF.

AUSTRALIA

4.9%↑

Change for April 2022 compared to April 2021

19.5%↑

Change for the 12 months to April 2022

Australia dairy exports increased 4.9%, or 3,523 MT, in April compared to the same period the year prior. April exports continued to increase year-on-year albeit at a slower pace compared to prior months. Volumes continued to be driven by high demand for fluid milk products by China, up 5,945 MT. Increases in SMP and other powders were also observed. Exports for the 12 months to April were up 19.5%, or 153,885 MT, on the previous comparable period. This was predominantly driven by increases in fluid milk products, as well as SMP and WMP.

EUROPEAN UNION

13.3%↓

Change for March 2022 compared to March 2021

4.0%↓

Change for the 12 months to March 2022

EU dairy exports decreased 13.3%, or 89,235 MT, in March compared to the same period the year prior. Lower export volumes were driven by decreases in fluid milk products, SMP and cheese, partially offset by increases in cultured products and infant formula. Exports for the 12 months to March were down 4.0%, or 292,817 MT, on the previous comparable period, driven by declines in SMP, infant formula, WMP, cultured products, and partially offset by increases in MPC and caseinate.

USA

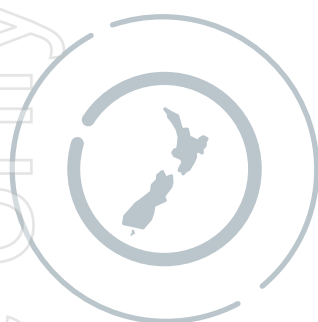
0.7%↓

Change for April 2022 compared to April 2021

5.1%↑

Change for the 12 months to April 2022

US dairy exports decreased 0.7% in April compared to the same period the year prior but remain high against a strong prior year and despite ongoing shipping challenges. Lower shipments of SMP to Egypt and whey to China were largely offset by increased volumes of lactose and WPC to China, as well as AMF and cheese to Mexico. Exports for the 12 months to April were up 5.1%, or 152,152 MT, on the previous comparable period, driven by cheese, lactose, fluid milk products, butter and whey.



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

China monthly imports continue to decline. Middle East and Africa and Latin America monthly imports down

LATIN AMERICA

4.6%↓

Change for March 2022 compared to March 2021

1.3%↑

Change for the 12 months to March 2022

Latin America dairy import volumes¹ decreased 4.6%, or 9,160 MT, in March compared to the same period the year prior.

The decrease was driven by lower demand for fluid milk to Peru, WMP to Brazil but partially offset by increases of SMP and cheese.

Imports for the 12 months to March were up 1.3% compared to the same period the year prior, driven by higher volumes of cheese, SMP, whey and MPC, and partially offset by declines in WMP and fluid milk products.

ASIA

2.4%↑

Change for March 2022 compared to March 2021

2.9%↑

Change for the 12 months to March 2022

Asia (excluding China) dairy import volumes¹ increased 2.4%, or 10,978 MT, in March compared to the same period the year prior.

The increase was driven by higher demand for whey and SMP by Indonesia and MPC by Korea.

Imports for the 12 months to March were up 2.9%, or 141,994 MT, compared to the same period the year prior, driven by higher volumes of whey, cheese, WPC and SMP, and partially offset by a decrease in WMP.

MIDDLE EAST & AFRICA

10.4%↑

Change for March 2022 compared to March 2021

8.4%↑

Change for the 12 months to March 2022

Middle East and Africa dairy import volumes¹ increased 10.4%, or 44,015 MT, in March compared to the same period the year prior.

The increase was driven by higher volumes of SMP and cheese to Egypt and Algeria and infant formula to Kuwait but partially offset by lower volumes of fluid milk products to Iraq, Saudi Arabia and Libya.

Imports for the 12 months to March were up 8.4%, or 403,003 MT, compared to March the year prior, driven by increases in cheese, fluid milk products and SMP.

CHINA

29.8%↓

Change for May 2022 compared to May 2021

5.6%↓

Change for the 12 months to May 2022

China dairy import volumes decreased by 29.8%, or 121,813 MT, in May compared to the same period the year prior. This is the third consecutive month of year-on-year decline as lockdowns continue to impact demand.

Lower volumes were observed across most product categories and more specifically in fluid milk products, whey, WMP and SMP mainly from New Zealand and Germany.

Imports for the 12 months to May were down 5.6%, or 224,227 MT, driven by whey, fluid milk products, infant formula and SMP and partially offset by increases in WMP.

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

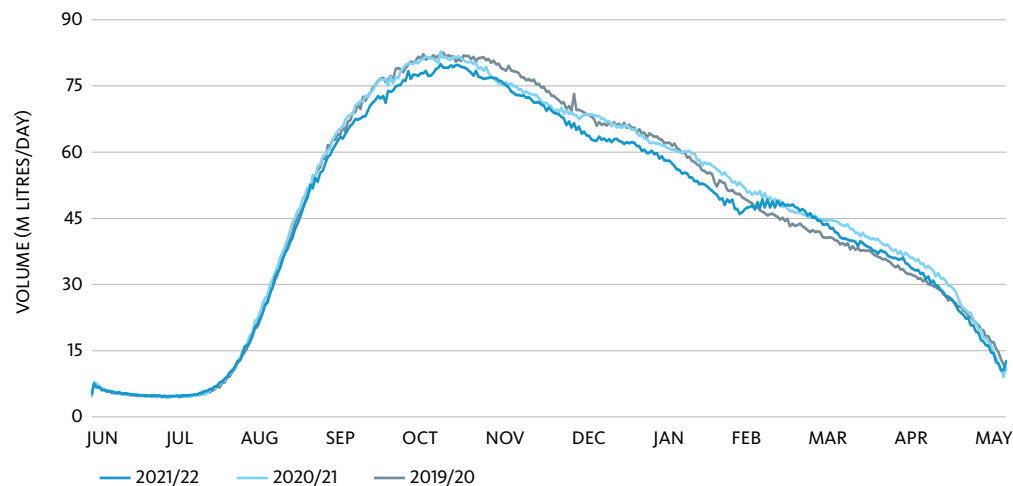
OUR MARKETS

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

7.8%↓

Change for May 2022 compared to May 2021

4.0%↓

For the 2021/22 Season compared to the previous season

Fonterra's New Zealand collections for May were 69.5 million kgMS, 7.8% lower than last May.

The 2021/22 season milk collections were finalised at 1,478.0 million kgMS, 4.0% behind last season.

May started with warm, dry conditions that continued until rain in the middle of May. Milk volumes generally declined slightly quicker than expected as farmers prepared for next season, ensuring pasture cover and cows are in good condition.

Fonterra full season collections for the 2021/22 season reached 1,478 million kgMS, against our latest forecast of 1,480 million kgMS.

NORTH ISLAND

14.4%↓

Change for May 2022 compared to May 2021

4.7%↓

For the 2021/22 Season compared to the previous season

North Island milk collections in May were 33.0 million kgMS, 14.4% behind May last season.

The 2021/22 season collections were 866.0 million kgMS, 4.7% behind last season.

Warm, dry conditions continued to affect key milking regions until rain gave way throughout the middle of May. Pasture cover recovered towards the end of the month, setting up farms for the new season.

SOUTH ISLAND

1.0%↓

Change for May 2022 compared to May 2021

3.0%↓

For the 2021/22 Season compared to the previous season

South Island milk collections in May were 36.4 million kgMS, 1.0% lower than last May.

The 2021/22 season collections were 611.9 million kgMS, 3.0% behind last season.

Central and Lower South Island regions bounced back from the tough dry, warm April conditions. Pasture recovered and most farmers dried off herds at more regular patterns compared to previous seasons.

AUSTRALIA

2.6%↑

Change for May 2022 compared to May 2021

0.9%↓

Season-to-date 1 July to 31 May

Fonterra's Australia collections for May were 8.0 million kgMS, a 2.6% increase on May last season.

Both third-party volumes and farm collections increased year-on-year, 0.1m kgMS and 0.2m kgMS, respectively.

Fonterra collections across Australia for the 11 months for the season-to-date were 99.0 million kgMS, a 0.9% decline on last season.

OUR MARKETS

Fonterra Global Dairy Trade Results



Fonterra GDT results at
last trading event
21 June 2022:

1.2%↓

Change in Fonterra's
weighted average product
price from previous event

USD 4,619

Fonterra's weighted
average product price
(USD/MT)

19.9⁰⁰⁰' MT

Fonterra product quantity
sold on GDT

BUTTER

2.4%↑

USD 6,213/MT

SMP

1.7%↑

USD 4,308/MT

WMP

0.8%↓

USD 4,125/MT

AMF

4.6%↓

USD 5,913/MT

CHEDDAR

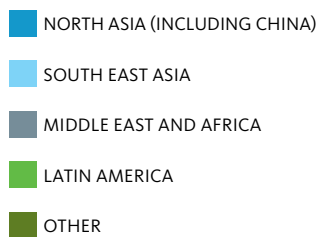
9.1%↓

USD 4,875/MT

Fonterra GDT sales
by destination:

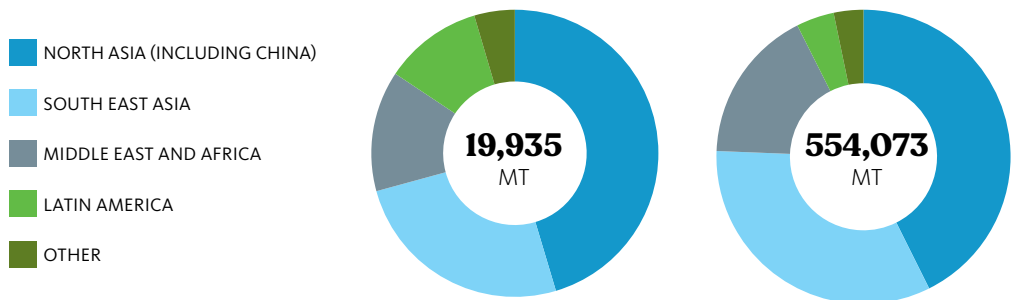
To view more information,
including a snapshot of the
rolling year-to-date results –

LATEST AUCTION



19,935
MT

FINANCIAL YEAR-TO-DATE

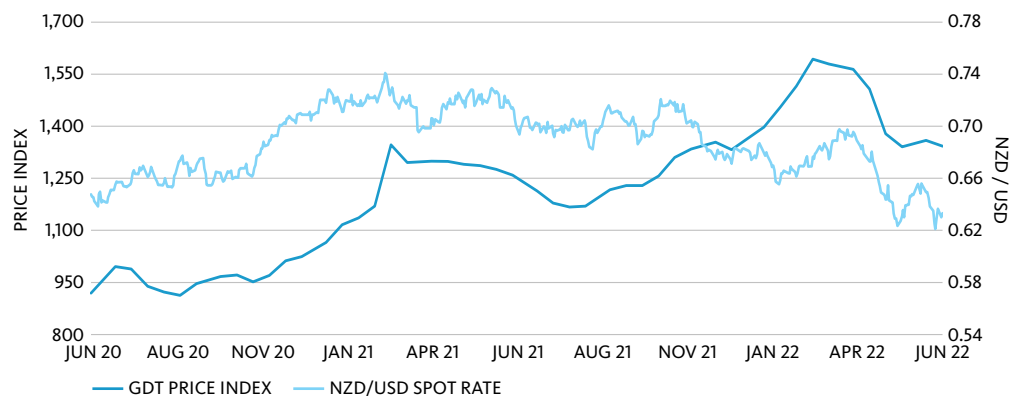


554,073
MT

► The next trading event will be held on 5 July 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Tightening in US monetary
conditions accelerated,
fostering risk aversion and a
further decline in global equity
markets. Safe haven demand for
USDs continued and, together
with a deteriorating outlook for
the New Zealand economy, saw
the NZD decline to a two-year
low of 62 US cents.



Our Performance



Fonterra provides milk price, performance, and strategy update

Forecast Farmgate Milk Price for the 2022/23 season

NZD per kgMS **8.75–10.25**

Earnings guidance range for FY23

NZ cents per share **30–45**

- Organisational structure changed to accelerate long-term strategy
- Creation of two new Fonterra Management Team roles
- Kelvin Wickham to step away from the Co-op after 34 years

Fonterra today lifted its 2022/23 Forecast Farmgate Milk Price range to NZ\$8.75-\$10.25 per kgMS, up from NZ\$8.25-\$9.75 per kgMS. This increases the midpoint of the range, which farmers are paid off, by 50 cents to \$9.50 per kgMS.

Fonterra Chief Executive Miles Hurrell says the lift in the forecast milk price reflects the milk supply and demand picture and the current strong US Dollar.

The Co-op also announced a 2022/23 earnings guidance range of 30-45 cents per share and provided an update on the Co-op's progress towards its long-term aspirations.

Mr Hurrell said that the strong earnings guidance for next financial year reflects an expected recovery in some of the Co-op's key markets which have experienced margin pressures this financial year, coupled with ongoing favourable ingredients margins.

"The wide earnings range for 2022/23 reflects the current high level of uncertainty that comes with operating in a globally-traded, volatile market.

"While the Co-op is in the position to be forecasting both solid earnings and a healthy milk price for the next year, significant

volatility remains. These near-term headwinds have the potential to impact some of the Co-op's targets.

"When we released our 2030 long-term aspirations in September 2021, we committed to updating farmers and the market on our progress along the way.

"We're still on track for our 2030 financial targets, but the last few months have shown that there will be some bumps along the way.

"A series of global events have changed some of the assumptions the Co-op's aspirations were based on. In particular, interest rates and inflation have lifted well above our assumptions, as have commodity prices in response to the continued strong demand for dairy. This feeds into the Farmgate Milk Price expectations, which you can see in our updated forecast of the 2022/23 milk price range.

"These input cost increases are impacting the cost of our debt in the short term and have also pushed on-farm costs up. This in combination with ongoing regulatory changes, will potentially reduce milk supply volumes. As the higher milk prices lift working capital, our overall debt position has the potential to trend higher but still within our current debt parameters.

"What happens beyond next year is considerably less certain, with a wide range of possible outcomes. As a result, the indicative markers for future financial years which are set out in the Co-op's long-term aspirations will be updated closer to the time," says Mr Hurrell.

The Co-op will provide earnings guidance for 2023/24 at the end of the 2022/23 financial year and at the same point going forward in future financial years.

"As we look out to 2030, the fundamentals of dairy – in particular, New Zealand dairy – look strong and we continue to make good progress against our long-term aspirations.

"We are growing our high value, specialty ingredients business, with Active Living expected to deliver growth year-on-year.

"Work also continues on finding a solution to the methane challenge, with the recent expansion of a trial of methane-reducing seaweed as a supplementary feed for cows," says Mr Hurrell.

The Co-op maintained its earnings guidance range of 25-35 cents per share for the current financial year.

(continues...)

Our Performance



(... continues)

Accelerating progress towards our long-term aspirations

Mr Hurrell says since announcing its refreshed strategy in September 2021, the Co-op has been working through how to adapt its organisational structure to accelerate progress towards its long-term aspirations.

“Our ambitions are to grow the value we derive from our New Zealand milk through our sustainability credentials, innovation, and nutrition science.

“To enable this, we have established two new Fonterra Management Team (FMT) roles to increase the Co-op’s focus on innovation and strategic implementation,” says Mr Hurrell.

• Chief Innovation and Brand Officer – Komal Mistry-Mehta



Commercialising our innovation and R&D expertise is integral to achieving our long-term aspirations, as is the need for these attributes to be embedded into our brand.

This role will bring a new level of focus, capability, and thinking to the FMT to help grow the premium value of our products.

Komal has been with the Co-op since April 2011 and currently leads our high-value ingredients business, Active Living.

• Managing Director Strategy and Optimisation – to be appointed

Delivering our long-term strategy requires choices to be made over where we put our New Zealand milk in order to best optimise value for the Co-op. This role will bring a new level of focus to the FMT on demand choices, and portfolio and asset management, using analytics to inform decision making.

“In addition, the shape of our AMENA business is changing with the planned divestments of our businesses in Chile and Brazil, our exit from Russia, and our Active Living business moving to the new Innovation and Brand business unit.

“With this in mind, we are grouping AMENA and APAC into a consolidated business unit to be led by Judith Swales.

“Kelvin Wickham, CEO of our AMENA business, has decided that this juncture is the right time for him to step

away from Fonterra as the next generation of leadership takes forward the Co-op’s long-term aspirations.

“Kelvin and his wife are keen to stay in Europe and I wish them all the best for their next great adventure. We’ve worked closely together for a number of years and I will miss his friendship, guidance, and support.

“I thank Kelvin for his extensive contribution to the Co-op. He has been with Fonterra for over 34 years, holding multiple roles across many markets, and has been a tremendous advocate for Fonterra and New Zealand throughout this time,” says Mr Hurrell.

The two new FMT roles will be effective from 1 August, with the new business unit to be effective from 1 October.

Cream of the crop



Miles Hurrell with Stuart Taylor and Caroline Amyes from RDA winners Craigmere Farms

2022 has been another impressive year for Fonterra farmers in the New Zealand Dairy Industry Awards.

All four of the main awards went to farmers supplying the Co-op or working on farms that do, with all four winners hailing from Canterbury.

The first award of the night at the Christchurch convention centre on Saturday May 14 was the Fonterra Responsible Dairying Award, with Craigmere Farming Services receiving the John Wilson Memorial Trophy.

One of Craigmere's philosophies is that there is no single perfect system and the judges were impressed with Craigmere's approach of adapting the farm system on each one of their 22 farms to suit the environment and the people.

Will Green, 34% share milker on the 270ha Dairy Holdings Ltd Hinds property, claimed the NZ Share Farmer of the Year title. Originally from the UK, the 34-year-old holds a

Degree in Agriculture from Harper Adams University and enjoys farming as it gives him the opportunity to work outdoors and with livestock.

The 2022 Dairy Manager of the Year title went to Jaspal Singh. Jaspal was an Information Technology (Computer Applications) student in India and came to New Zealand to further his studies in 2014. Upon completion of his degree in 2015, he joined the dairy industry as a farm assistant in Mossburn and is now Farm Manager on Mark and Carmen Hurst's 220ha, 800-cow property at Waimate.

Rounding out the clean sweep for Canterbury and the Co-op was 2022 Dairy Trainee of the Year and first time entrant Peter O'Connor. He is currently 2IC on Leighton and Michelle Pye's 242ha, 900-cow Mayfield property and will progress to a new role managing a 400-cow farm near Lauriston next season.

The full results were:

2022 New Zealand Share Farmer of the Year

- Winner – Will Green, Canterbury/North Otago
- Runner-Up – Todd and Renee Halliday, Central Plateau
- Third – Murray and Rachel Perks, Taranaki

2022 New Zealand Dairy Manager of the Year

- Winner – Jaspal Singh, Canterbury/North Otago
- Runner-up – Robyn Mare, West Coast/Top of the South
- Third – Hayden Purvis, Bay of Plenty

2022 New Zealand Dairy Trainee of the Year

- Winner – Peter O'Connor, Canterbury/North Otago
- Runner-up – Thomas Lundman, Bay Of Plenty
- Third – Zoe Bryson, Central Plateau

2022 Fonterra Responsible Dairying Award

- Winner – Craigmere Farms

Supplementary Information

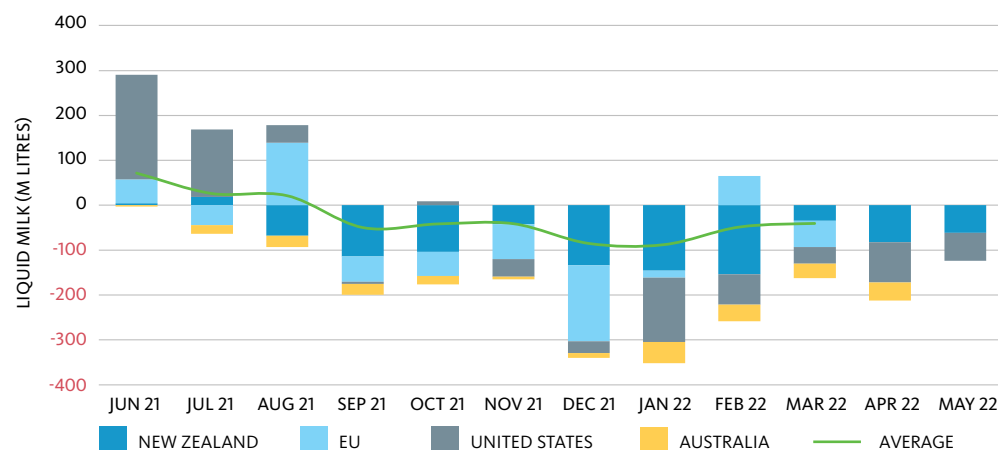
Global Dairy Market

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.

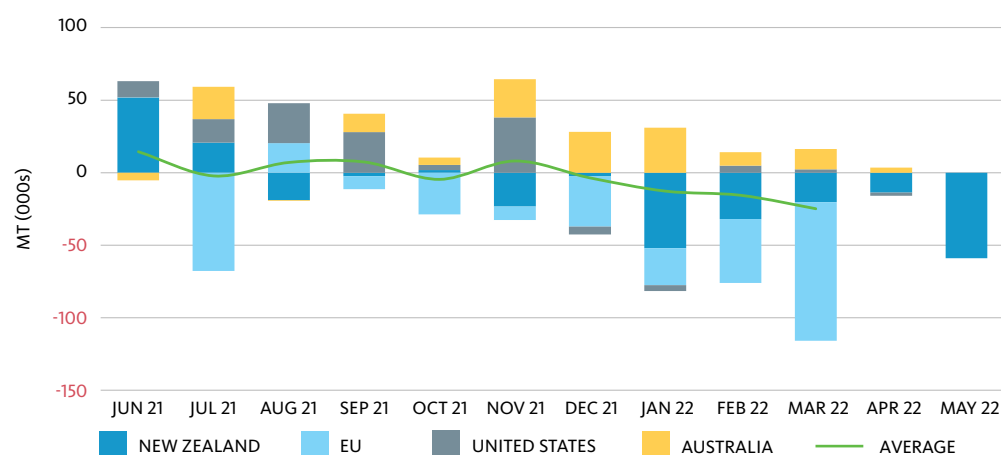
The absolute size of the bars represents the change in imports, exports or production, relative to the same period the previous year.

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

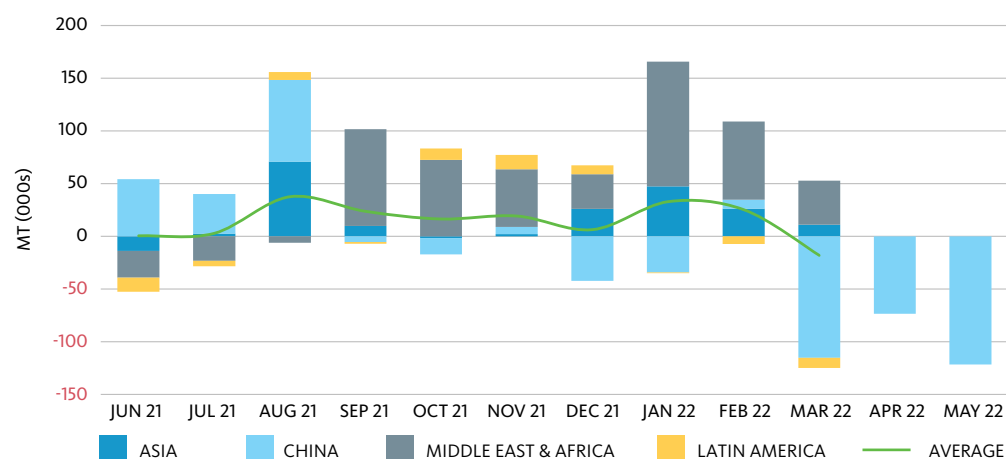
PRODUCTION



EXPORTS



IMPORTS



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 2022	MAY 2021	MONTHLY CHANGE	SEASON- TO-DATE 2021/22	SEASON- TO-DATE 2020/21	SEASON- TO-DATE CHANGE
Total Fonterra New Zealand	69.5	74.5	(7.8%)	1,478.0	1,539.4	(4.0%)
North Island	33.0	38.6	(14.4%)	866.0	908.3	(4.7%)
South Island	36.4	36.8	(1.0%)	611.9	631.1	(3.0%)
Australia	8.0	7.7	2.6%	99.0	99.9	(0.9%)

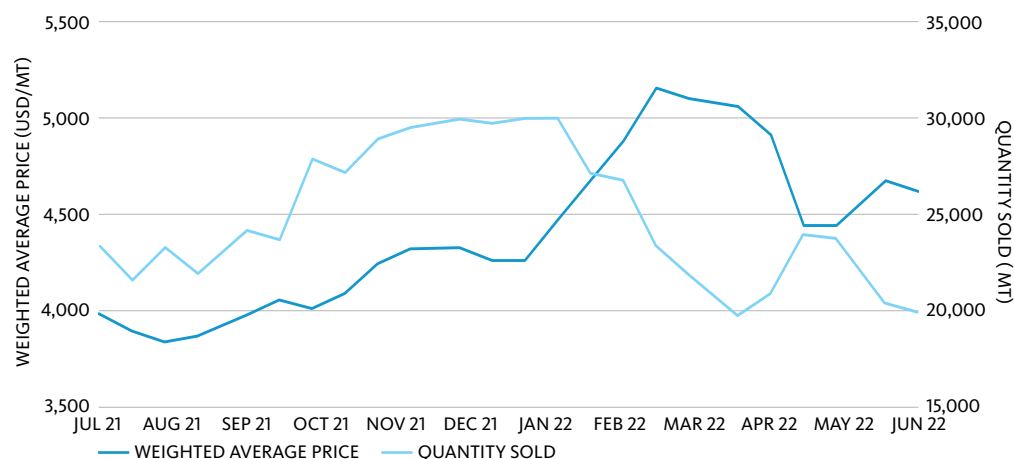
Fonterra GDT results

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

	LAST TRADING EVENT (21 JUNE 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	19,935	554,073
Change in Quantity Sold on GDT over same period last year	(3.6%)	(11.0%)
Weighted Average Product Price (USD/MT)	4,619	4,421
Change in Weighted Average Product Price over same period last year	11.6%	25.1%
Change in Weighted Average Product Price from previous event	(1.2%)	–

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.