



SEPTEMBER 2022

Global Dairy UPDATE



- Milk volumes down in New Zealand. US monthly production improves. Production declines in Australia and EU.



- Strong growth in New Zealand monthly exports. US exports up. Australia and EU monthly exports decline.



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



- Fonterra New Zealand milk collections in August were 91.9 million kgMS, down 5.0% on the prior season.
- Fonterra Australia milk collections for August were 6.9 million kgMS, up 1.2% on last season.



- On 22 September, Fonterra announced its FY22 Annual Results.

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



- Fonterra launches wellbeing nutrition solutions brand, Nutiani.

Key Dates



10 November 2022
Fonterra Co-operative Group
Annual Meeting

14 November 2022
Fonterra Shareholders' Fund
Annual Meeting

December 2022
FY23 Q1 Business Update



Milk volumes down in New Zealand. US monthly production improves. Production declines in Australia and EU

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

NEW ZEALAND

4.9% ↓

Change for August 2022 compared to August 2021

4.4% ↓

Change for the 12 months to August 2022

New Zealand milk production¹ was down 4.9% on a litres basis, (down 4.9% on milk solids basis) in August compared to the same period the year prior.

August was marked by some of the warmest temperatures on record. This was combined with extreme rainfall and flooding while other regions remained dry.

New Zealand milk production for the 12 months to August was down 4.4% on the year prior.

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

AUSTRALIA

8.3% ↓

Change for July 2022 compared to July 2021

3.9% ↓

Change for the 12 months to July 2022

Australia milk production decreased 8.3% in July compared to the same period the year prior. This is still early in the season and volumes only represent a small proportion of full season production.

The decline was driven by lower production in Tasmania (14.7%) and Victoria (7.5%).

Australia milk production for the 12 months to July was 3.9% lower than the year prior.

New season Australian milk production is forecast to remain flat to marginal growth year-on-year.

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

EUROPEAN UNION

0.3% ↓

Change for June 2022 compared to June 2021

0.5% ↓

Change for the 12 months to June 2022

EU milk production² was down 0.3% in June compared to the same period the year prior.

Milk production levels remain low as drought conditions, limited feed availability and rising input costs continue to impact key regions. Production declines were observed more notably in France, Spain and Ireland but partially offset by higher production from Netherlands and Poland.

EU milk production for the 12 months to June declined 0.5% compared to the same period the year prior, driven by declines in Germany, France, and Netherlands.

USA

1.6% ↑

Change for August 2022 compared to August 2021

0.3% ↓

Change for the 12 months to August 2022

US milk production increased by 1.6% in August, compared to the same period the year prior. This is the largest year-on-year increase since July 2021.

The increase in production was driven by herd size growth and increased milk per cow yield.

Milk production for the 12 months to August declined 0.3% compared to the same period the year prior.

1 New Zealand production is measured in litres.

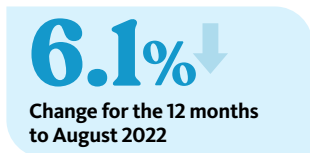
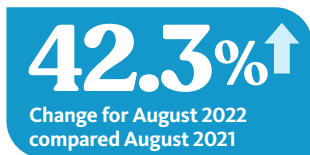
2 Excludes UK.



Strong growth in New Zealand monthly exports. US exports up. Australia and EU monthly exports decline

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

NEW ZEALAND

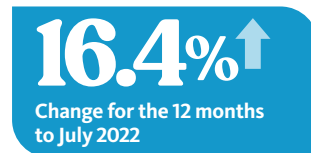
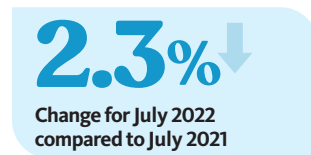


Total New Zealand dairy exports were up 42.3%, or 54,785 MT, in August compared to the same period the year prior.

Shipping challenges limited July exports and led to stronger shipments in August. WMP, cheese, AMF and butter exports were the main drivers of this increase.

Exports for the 12 months to August were down by 6.1%, or 218,210 MT, on the previous comparable period. This was primarily driven by decreases in WMP and cheese.

AUSTRALIA



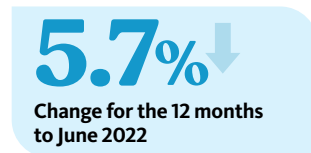
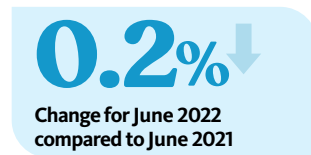
Australia dairy exports decreased 2.3%, or 1,745 MT, in July compared to the same period the year prior.

Cheese, fluid milk products and WMP exports declined year-on-year and were partially offset by an increase in other powders, SMP and infant formula.

Exports for the 12 months to July were up 16.4%, or 133,701 MT, on the previous comparable period.

This was predominantly driven by increases in fluid milk products and SMP.

EUROPEAN UNION

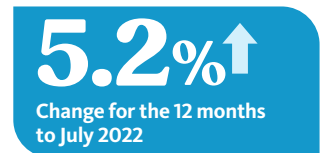
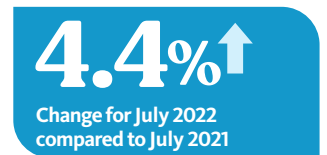


EU dairy exports decreased 0.2%, or 1,244 MT, in June compared to the same period the year prior.

Lower exports volumes were driven by decreases in cheese, SMP, whey and WMP, and partially offset by increases in fluid milk products, infant formula and cultured products.

Exports for the 12 months to June were down 5.7%, or 415,422 MT, on the previous comparable period, driven by declines in fluid milk products, SMP, WMP, whey and partially offset by increases in MPC, lactose and caseinate.

USA



US dairy exports increased 4.4%, or 10,332 MT, in July compared to the same period the year prior.

Stronger demand for lactose by China and New Zealand, whey by Canada, and butter by Canada and Bahrain were driving this increase. This was partially offset by lower shipments of SMP to Mexico.

Exports for the 12 months to July were up 5.2%, or 137,293 MT, on the previous comparable period, driven by cheese, lactose, fluid milk products, butter and AMF.



China imports continue to decline. Middle East & Africa, Latin America and Asia imports up

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

LATIN AMERICA

14.6%↑

Change for June 2022 compared to June 2021

3.1%↑

Change for the 12 months to June 2022

Latin America dairy import volumes¹ increased 14.6%, or 23,999 MT, in June compared to the same period the year prior.

The increase was driven by stronger demand for cheese, fluid milk, infant formula by Dominican Republic and AMF by Mexico.

Imports for the 12 months to June were up 3.1% compared to the same period the year prior, driven by higher volumes of cheese, whey and MPC and SMP and partially offset by declines in WMP.

ASIA

8.7%↑

Change for June 2022 compared to June 2021

5.2%↑

Change for the 12 months to June 2022

Asia (excluding China) dairy import volumes¹ increased 8.7%, or 37,066 MT, in June compared to the same period the year prior.

The increase was driven by higher demand for SMP by Malaysia and Vietnam, and cultured products and fluid milk products by Philippines.

Imports for the 12 months to June were up 5.2%, or 251,524 MT, compared to the same period the year prior, driven by higher volumes of whey, SMP, WPC and cultured products.

MIDDLE EAST & AFRICA

18.2%↑

Change for June 2022 compared to June 2021

12.5%↑

Change for the 12 months to June 2022

Middle East and Africa dairy import volumes¹ increased 18.2%, or 70,718 MT, in June compared to the same period the year prior.

The increase was driven by higher volumes of WMP and infant formula imported by Algeria, and cheese imported by Saudi Arabia and the United Arab Emirates.

Imports for the 12 months to June were up 12.5%, or 597,358 MT, compared to June the year prior, driven by increases in cheese, SMP and fluid milk products.

CHINA

24.9%↓

Change for August 2022 compared to August 2021

15.3%↓

Change for the 12 months to August 2022

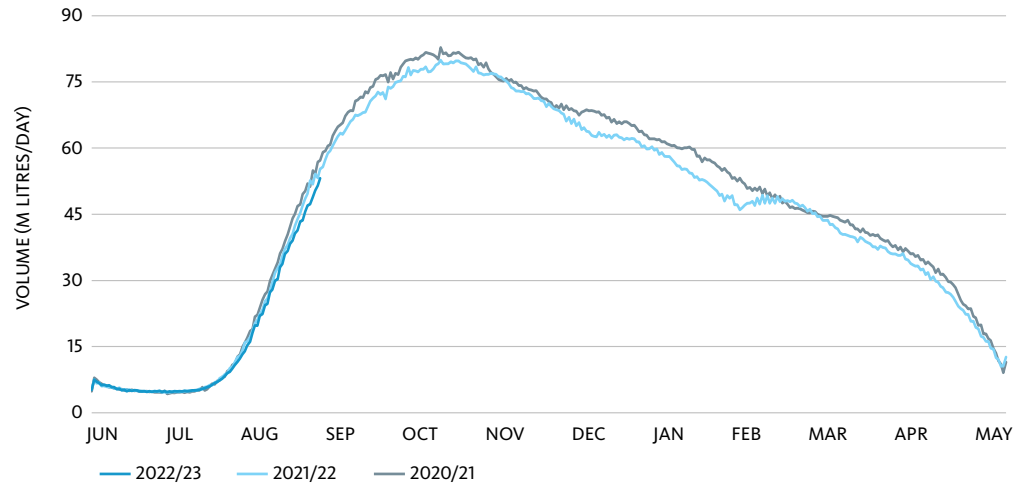
China dairy import volumes decreased by 24.9%, or 89,915 MT, in August compared to the same period the year prior. This is the sixth consecutive monthly decline as import demand remained constrained following lockdown restrictions and strong domestic production. Lower volumes of WMP and fluid milk products from New Zealand and Germany were partially offset by an increase in infant formula imports from Netherlands and New Zealand. Imports for the 12 months to August were down 15.3%, or 638,784 MT, driven by whey, fluid milk products, WMP and SMP.

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

5.0% ↓

Change for August 2022 compared to August 2021

3.9% ↓

Season-to-date 1 June to 31 August

Fonterra's New Zealand collections for August were 91.9 million kgMS, 5.0% lower than last August.

Season-to-date collections were 125.8 million kgMS, 3.9% behind last season.

Wet conditions in most key regions throughout July and August led to lower milk collections.

All dairy regions are making good progress through calving with the focus moving to preparing for mating over the coming months.

NORTH ISLAND

6.1% ↓

Change for August 2022 compared to August 2021

5.4% ↓

Season-to-date 1 June to 31 August

North Island milk collections in August were 67.5 million kgMS, 6.1% behind August last season.

Season-to-date collections were 96.2 million kgMS, 5.4% behind last season.

The North Island had a very wet winter leading to pasture cover and milk production being lower than anticipated. Lower pasture cover will be a focus going into spring and mating.

SOUTH ISLAND

1.9% ↓

Change for August 2022 compared to August 2021

1.6% ↑

Season-to-date 1 June to 31 August

South Island milk collections in August were 24.4 million kgMS, 1.9% lower than last August.

Season-to-date collections were 29.6 million kgMS, 1.6% ahead of last season.

Isolated flooding in the Upper South Island caused significant challenges on farm. Other parts of the South Island have had relatively normal late winter conditions.

AUSTRALIA

1.2% ↑

Change for August 2022 compared to August 2021

0.5% ↓

Season-to-date 1 July to 31 August

Fonterra's Australia collections for the second month of the new season were 6.9 million kgMS, a 1.2% increase on August last season.

Both off-farm collections and third-party intake increased year-on-year.

Season-to-date collections reached 12.2 million kgMS, 0.5% behind last season.

The new season outlook remains balanced. There is a 70% chance of a third consecutive La Niña developing over spring/summer posing risks to peak production and flooding.

Outlook for Fonterra in New Zealand

NZD per kgMS 8.50–10.00

Forecast Farmgate Milk Price for the 2022/23 season

1,495M kgMS

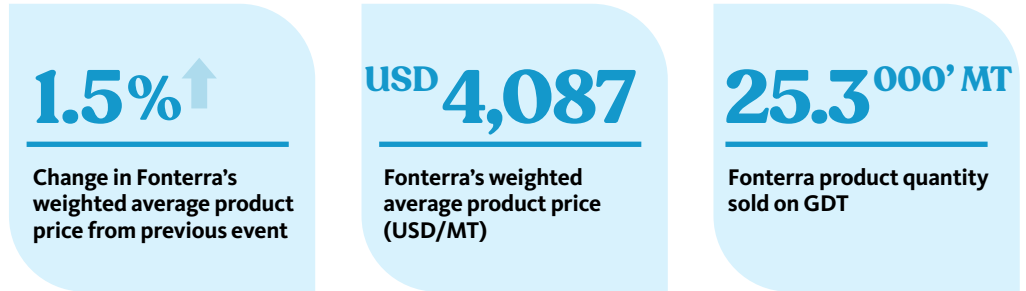
Forecast milk collections for the 2022/23 season

OUR MARKETS

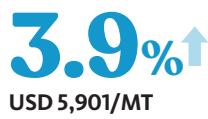
Fonterra Global Dairy Trade Results



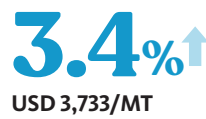
Fonterra GDT results at last trading event
20 September 2022:



AMF



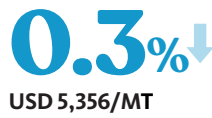
WMP



CHEDDAR



BUTTER

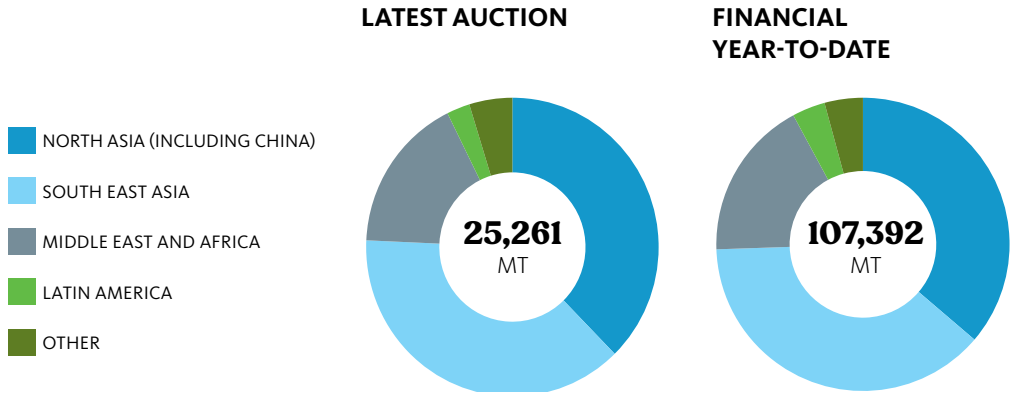


SMP



Fonterra GDT sales by destination:

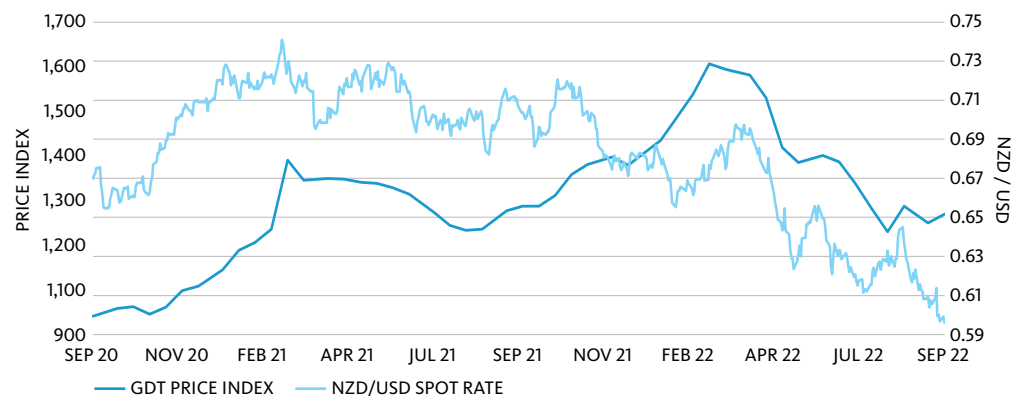
To view more information, including a snapshot of the rolling year-to-date results –



► The next trading event will be held on 4 October 2022. Visit www.globaldairytrade.info for more information.

Dairy commodity prices and New Zealand dollar trend

Recent US inflation data was stronger than expected resulting in financial markets re-pricing both the speed of change, and the ultimate level, to which US interest rates will be increased. Correspondingly, the USD strengthened with the higher US interest rate outlook – the NZD falling to near 58 US cents.





Fonterra launches wellbeing nutrition solutions brand, Nutiani



Fonterra is taking another step towards its strategic aspiration to be a leader in nutrition science and innovation with the launch of a new wellbeing solution brand, Nutiani.

The new business-to-business brand is targeted at both the multi-billion-dollar medical and everyday wellbeing nutrition markets.

Fonterra's Chief Innovation and Brand Officer Komal Mistry-Mehta says the creation of the new brand brings to life concepts that help customers tailor their products to meet consumers' evolving wellbeing nutrition needs.

"Our health and wellbeing customers are facing growing pressure to accelerate their innovation pipeline to respond to these dynamic consumer demands, yet they face common challenges during new product development and are looking for partners to fill their capability gaps.

"Nutiani answers this need by providing a suite of solutions which help customers tackle the pain points associated with each step of the innovation journey – from identifying the opportunity to validating the final product."

Nutiani will offer end-to-end solutions to customers through a combination of wellbeing nutrition products, concepts and services that leverage the Co-op's intellectual property and investments in research.

"We see a clear opportunity to win in critical segments of the global wellbeing nutrition space. Fonterra's deep expertise in nutrition science gives us an incredible advantage here.

"We will use Fonterra's existing expertise in nutrition science to develop targeted solutions, while opening up opportunities for strategic partnerships to deliver access to new markets and consumers," says Ms Mistry-Mehta.

The opportunity for the Co-op is significant. The global markets for physical, mental and inner wellbeing nutrition are growing at 6% per year with annual sales of US\$66 billion today, while medical nutrition has annual sales of US\$50 billion and growing 5% annually.

"There's no doubt that people are paying more attention to wellbeing and managing it through diet. Research shows 96% of consumers actively manage their wellbeing,

with more than half of these consciously managing their diet to improve their wellbeing," says Ms Mistry-Mehta.

"To create a greater impact in the health and wellbeing space, we must not only capture the opportunities we see today but also look to the future, helping our customers stay ahead of the curve."

The numbers:

- The global markets for physical, mental and inner wellbeing nutrition are growing at 6.1% per year with annual sales of US\$66 billion.
- Medical nutrition has annual sales of US\$50 billion and growing 5% annually.
- 90% of global consumers believe that being healthy involves looking after all aspects of wellbeing, including physical and mental.¹
- 96% of consumers actively take steps to manage their wellbeing, including maintaining a healthy and balanced diet.¹
- 56% of consumers manage their health via their diet.²



1 Source: Nutiani Wellbeing Research.

2 Source: IPSOS Nutiani, Consumer Wellness Research (August 2021).

Supplementary Information

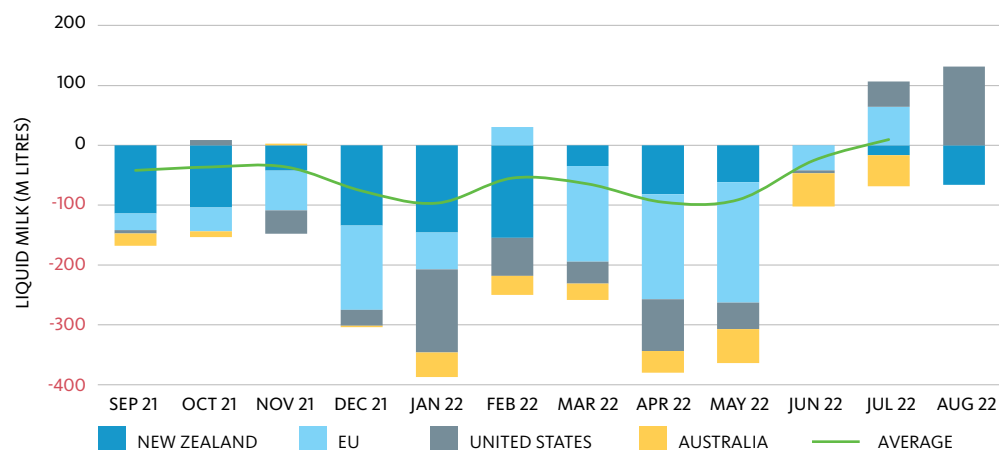
Global Dairy Market

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.

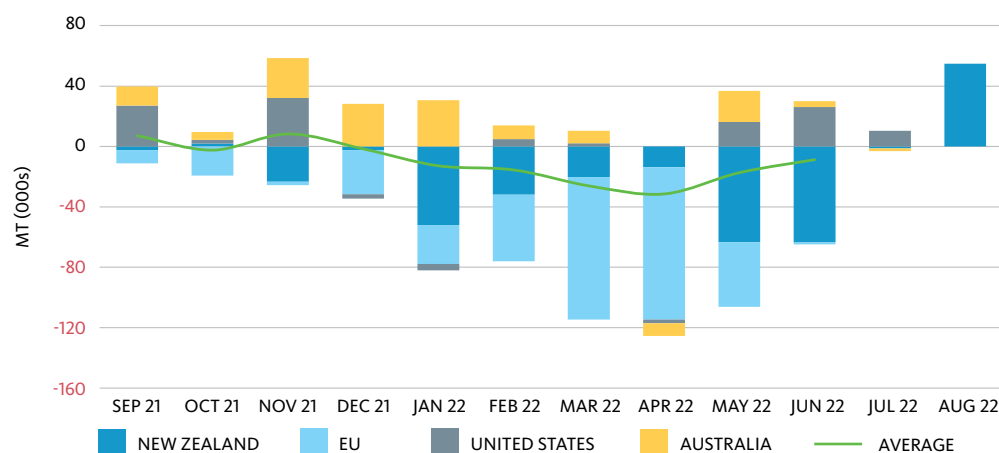
Averages are shown where data is complete for the regions presented.

PRODUCTION



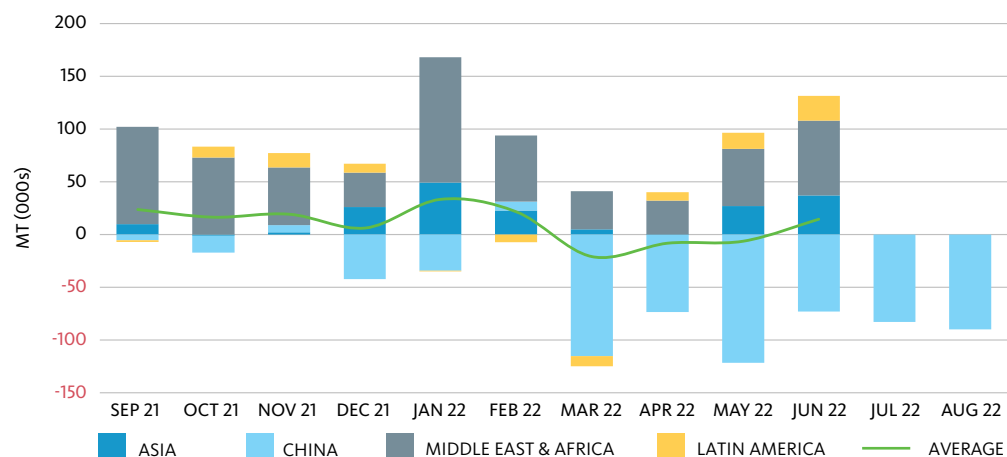
NOTE: Data for EU to June; Australia to July; New Zealand and US to August.

EXPORTS



NOTE: Data for EU to June; US and Australia to July; New Zealand to August.

IMPORTS



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

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)	AUGUST 2022	AUGUST 2021	MONTHLY CHANGE	SEASON-TO-DATE 2022/23	SEASON-TO-DATE 2021/22	SEASON-TO-DATE CHANGE
Total Fonterra New Zealand	91.9	96.7	(5.0%)	125.8	130.9	(3.9%)
North Island	67.5	71.8	(6.1%)	96.2	101.7	(5.4%)
South Island	24.4	24.9	(1.9%)	29.6	29.2	1.6%
Australia	6.9	6.8	1.2%	12.2	12.2	(0.5%)

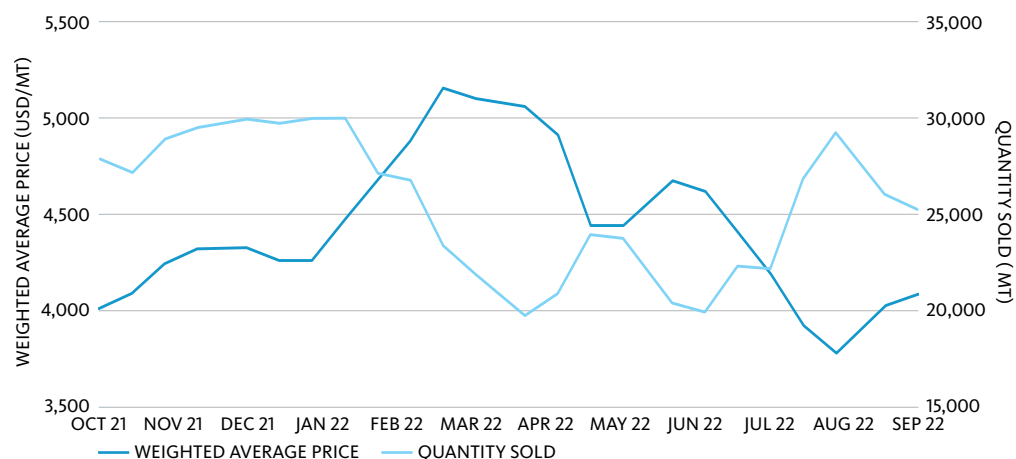
Fonterra GDT results

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

	LAST TRADING EVENT (20 SEPTEMBER 2022)	YEAR-TO-DATE (FROM 1 AUGUST 2021)
Quantity Sold on GDT (Winning MT)	25,261	107,392
Change in Quantity Sold on GDT over same period last year	6.6%	15.4%
Weighted Average Product Price (USD/MT)	4,087	3,948
Change in Weighted Average Product Price over same period last year	0.8%	0.3%
Change in Weighted Average Product Price from previous event	1.5%	-

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.