

Changes to Fonterra Offer Quantities on GlobalDairyTrade

While Fonterra's GlobalDairyTrade (GDT) offer quantities and forecasts are genuine estimates of product availability at the time of publication they can change as our view of future events or trends in supply and demand factors change.

The key factors that influence our GDT forecasts are: seasonal changes or weather events impacting our milk supply; production, storage or supply chain constraints; anticipated customer demand from GDT and non-GDT sales channels; and differences in relative returns of products.

In response to current conditions in the global dairy markets, Fonterra has modified its product mix that will see a volume shift away from whole milk powder and into our other products in the portfolio.

In addition, our key customers have responded to global conditions by re-shaping their purchasing profile, altering our forecast off-take profile.

On the supply side we have anticipated that our farmers may reduce volumes in response to the current low price signals.

Consideration of these three factors has led to a change in the most recent GDT offer quantity forecasts. Forecasted offer volumes over the next 12 months for New Zealand products have been decreased by 47,800MT (5.8 per cent) with 26,595MT occurring over the next 3 months and the remainder spread over the following 3 months as our plans adjust to changing market demand.

WMP offered by Fonterra on the GDT auction is the main contributor to the change with a 25,450MT decrease over the August to October period and a further reduction November to January of 20,750MT. Cheese is the second largest contributor with a 2,100MT decrease over the 12 month period August to July 2016. Butter sees a 500MT increase over August to September.

Variation to all other commodities is within typical forecast ranges.

As our supply and demand balance develops over the coming months it may be necessary to revise our forecasts in the future due to the factors detailed above.

For more information on the global dairy market and trends in New Zealand milk production see the [Fonterra Global Dairy Update](#)

Any queries, please contact your Fonterra sales representative.

Any media queries should be directed to Fonterra Communications;

Contact: Andrew Luxmoore

Phone: +64 21 221 8358

Email: andrew.luxmoore@fonterra.com