



Market Announcement

1 September 2020

Communication to Fonterra farmers

The attached communication was provided to Fonterra Co-operative Group Limited farmers by the Chairman, John Monaghan, on 1 September 2020.

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CHAIRMAN'S EMAIL

1 SEPTEMBER 2020

Subject: Update from the Chairman: DIRA Milk Price review

Email:

Dear [name]

To support our obligations under the Dairy Industry Restructuring Act (DIRA), the Board has reviewed the 2020/21 forecast Farmgate Milk Price range.

We have maintained the previous forecast range of \$5.90 - \$6.90 per kgMS which was announced last month.

The Advance Rate will still be set off the mid-point of \$6.40 per kgMS. You will find a copy of the unchanged Advance Rate schedule [here].

The global market is finely balanced at the moment, with both demand and supply increasing but it has the potential to change.

There is good demand in market at this stage of the season, however, the forecast economic slowdown is likely to increase global unemployment and reduce consumer demand. The potential for additional waves of COVID-19 is also impacting the confidence of some of our foodservice customers.

On the supply side, global milk production has bounced back stronger than expected and volumes in the key dairy production regions of the EU and USA are anticipated to be up on last year.

At this early stage of the season, any movement in the market can have a significant impact on our Milk Price. For that reason, we recommend caution with your on-farm financial decisions.

We will confirm the final Farmgate Milk Price for the 2019/20 season as part of our Annual Results on 18 September.

John.