Welcome to our April 2014 Global Dairy Update.

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  - Guaranteed Milk Price a tool to manage volatility
- GDT prices on 1 April 8.9% lower than the last event on 18 March 2014
- Total global dairy trade up and production down

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2014 Financial Calendar:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 June 2014</td>
<td>Measurement Date for the Share Standard 2014/15 Season</td>
</tr>
<tr>
<td>31 July 2014</td>
<td>Financial Year End</td>
</tr>
<tr>
<td>24 September 2014</td>
<td>Annual Results Announced</td>
</tr>
<tr>
<td>1 December 2014</td>
<td>Compliance Date for the Share Standard 2014/15 Season</td>
</tr>
</tbody>
</table>
FONTERRA’S NEW ZEALAND MILK COLLECTION

6.3% INCREASE TO
↑1,416 M kgMS

Milk collection across New Zealand for the ten months to 31 March 2014 reached 1,416 million kgMS, 6.3% higher than the same period last Season.

Eastern regions of the North Island benefitted from recent rainfall with Cyclone Lusi bringing relief for some. Although many farmers in the North Island still face extreme dry conditions, milk supply in the North Island for the month of March was 28% higher than March last Season. The North Island growth for March and the Season-to-date, is influenced by the widespread drought last year.

The South Island has continued to experience favourable conditions for pasture and feed growth with milk supply for the month of March 12% higher than March last Season.

The table below shows the milksolids collected for the 2013/14 Season compared to the 2012/13 Season.

Table 1: Season-to-date Milk Supply

<table>
<thead>
<tr>
<th></th>
<th>March 2014</th>
<th>March 2013</th>
<th>Monthly change²</th>
<th>June 2013 to March 2014²</th>
<th>June 2012 to March 2013²</th>
<th>Season-to-date change³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fonterra milksolids collected</td>
<td>144</td>
<td>120</td>
<td>20.4%</td>
<td>1,416</td>
<td>1,332</td>
<td>6.3%</td>
</tr>
<tr>
<td>North Island milksolids</td>
<td>80</td>
<td>63</td>
<td>28.0%</td>
<td>889</td>
<td>835</td>
<td>6.6%</td>
</tr>
<tr>
<td>South Island milksolids</td>
<td>64</td>
<td>57</td>
<td>12.0%</td>
<td>527</td>
<td>497</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

1 Milk collection data includes DIRA milk which is collected and sold to other New Zealand processors
2 Milk collection data includes the period from 1 June to closing of the most recently reported month
3 Percentage change reflects the change in the underlying figures and may be different due to rounding in million kgMS

Chart 1: Fonterra’s Milk Collection in New Zealand
**New Zealand Dollar Trend**

The chart below shows the spot price of the NZD/USD rate from January 2011. The light blue line is the Fonterra Average Conversion Rate (FACR). It shows our foreign currency rate adjusted for the gains and losses arising from Fonterra’s currency hedging.

**Chart 2: NZD/USD 1 January 2011 to 31 March 2014**

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**BUSINESS UPDATE**

**Fonterra Australia and Woolworths Proposed Partnership**

Fonterra Australia has been selected by Woolworths as their preferred supplier to process Woolworths Own Brand milk in Victoria for ten years. This will be confirmed once all contractual arrangements have been finalised.

This means that all Woolworths Own Brand milk sold in Victoria will now be made and processed in Victoria, supporting local farmers and jobs in regional communities.

Over AUD 30 million will be invested in a state-of-the-art milk processing plant at our Cobden site in South West Victoria that will help deliver on our strategy to provide healthy, nutritious dairy foods - in every dairy category – to Australians. It expands our current white milk portfolio complementing our Riverina Fresh™ milk business in New South Wales.

Australia is our second largest milk pool outside of New Zealand, so we take a long-term view and aim to deliver profitability, growth and sustainability for our Australian dairy business.

Contractual arrangements are being finalised with a view to commissioning the milk processing plant at the Cobden site in early 2015.

**Investing In Indonesia Consumer and Foodservice**

Construction has started on our blending and packing plant in Indonesia. This is our first manufacturing facility in the country and the largest investment in new manufacturing in ASEAN in the last 10 years. Investing in key markets such as Indonesia is an important part of our global strategy to build and grow beyond our current consumer and advanced nutrition position. The new plant will support the growth of our consumer brands Anlene™, Anmum™ and Anchor Boneeto™.

This IRD 357 billion (NZD 36 million) plant will be complete by March 2015. It will have the capacity to pack and blend 12,000 tonnes of advanced and base nutrition milk powder products annually, which is equivalent to 87,000 packs of Anlene™, Anmum™, and Anchor Boneeto™ every day.

Volume growth in ASEAN was up 9% in the half year 2014, with Indonesia being a key growth region. Demand for dairy in Indonesia is expected to grow by 5% each year to 2020 and this investment will allow Fonterra to meet local expansion of our consumer brands.
Guaranteed Milk Price a Tool to Manage Volatility

Following the successful Guaranteed Milk Price (GMP) pilot in the 2013/14 Season, our Farmer Shareholders will be offered two opportunities to lock in the price paid for a percentage of their milk in the 2014/15 Season.

A GMP will be offered on 60 million kgMS in two tranches. Applications to supply 40 million kgMS will open in June, offering a 12 month GMP agreement. In December, applications will open to supply 20 million kgMS with a six month GMP agreement offered on production from December 1.

GMP is a useful tool for our farmers to help them manage price volatility and to give certainty around a proportion of their income. In turn, certainty can help our farmers to confidently make decisions around servicing debt and capital investment on farm.

From Fonterra’s perspective, GMP gives the Co-operative more certainty to lock in longer-term contracts with customers at a set price and attract a premium knowing there will be very little risk with those contracts from price volatility. Having this capability enables us to build long-term and mutually beneficial relationships with our key customers.

DAIRY COMMODITY PRICES

Total volume traded at the latest GDT auction on 1 April 2014 was 39,653 MT. Dairy commodity prices were on average 8.9% lower than the last trading event with an average winning price of USD 4,124 per MT. Prices remain up 36% over the same eight month period last financial year.

Compared to the last trading event, the only commodity price to firm was Rennet Casein (RenCas) up 5.5%. The commodity prices that softened included a significant movement in Butter Milk Powder (BMP) down 15.0%, Anhydrous Milk Fat (AMF) down 11.3%, Butter down 11.0%, Skim Milk Powder (SMP) down 9.6% and Whole Milk Powder (WMP) down 8.4%. In addition Cheddar was down 3.5%.

The table below summarises the latest results and provides a snapshot of the rolling year-to-date results.

Table 2: GDT Results

<table>
<thead>
<tr>
<th></th>
<th>Last Trading Event (1 April 2014)</th>
<th>Year-to-date (1 Aug 2013 to 1 April 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity Sold (Winning MT)</td>
<td>39,653</td>
<td>783,970</td>
</tr>
<tr>
<td>Average Winning Price (USD MT/FAS)</td>
<td>$4,124</td>
<td>$4,853</td>
</tr>
<tr>
<td>USD Change in GDT Price Index over same period last year</td>
<td>-22%</td>
<td>36%</td>
</tr>
<tr>
<td>USD Change in GDT Price Index from previous event</td>
<td>-8.9%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The next trading event will be held on 15 April 2014. Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information.
GLOBAL DAIRY OVERVIEW

Fonterra’s assessment of published industry statistics indicates that global trade in dairy ingredients has grown more than 7% per annum since the financial crisis in 2008/09, reaching 13.9 million MT in 2013. Growth slowed to 2.8% in 2013 impacted by supply issues, including the drought in New Zealand.

Global trade in dairy ingredients accounts for 8% of global production with the European Union (EU) and United States (US) representing 30% of global exports, and Argentina, Australia and New Zealand comprising a further 28%. Russia and China (including Hong Kong) continue to lead the growth in demand accounting for 25% of total dairy imports. Dairy imports into China are primarily milk powders, while the key import into Russia is cheese.

Growth in Supply

The major Southern Hemisphere exporting countries of Argentina, Australia, New Zealand and Uruguay saw some year-on-year growth for the month of February¹, with weather conditions resulting in good pasture and feed growth. However, overall the annual growth in this region was 3.8% lower than the previous year.

In the Northern Hemisphere, milk production for the EU countries in aggregate remained reasonably static and was up just 0.7% in 2013.

Consumption Gap in Russia and China

Imports of dairy products into China were up 36% in 2013. A decline in China’s milk production of 5.7% over the same period is a contributing factor to the strong growth in import volumes, primarily in Whole Milk Powder and Whey Products. Rabobank estimates a consumption gap in China of almost 10 billion litres, which has provided support for global dairy prices.

Russian production has been down 5-6% year-on-year for two consecutive years, impacted by structural investment challenges. This void is being filled by imports, predominately cheese and milk fats, up 7.4% in 2013. Belarus is an important contributor to Russia’s imports, supplying approximately half, with the EU supplying the majority of the shortfall of imported product.

¹ For February 2014 compared to February 2013
Factors Influencing Supply

Strong dairy prices, low feed costs and export demand could see global milk production expansion in the medium term. Milk quota removal in the EU in July 2015 will allow European dairy farmers to expand production without the requirement to purchase milk quota rights, for the first time in 30 years. This may cause some strengthening in production growth and movement in farming regions within the EU, but consolidation in milk supply is not expected to be significant. These factors will continue to influence the global dairy market going forward.

Chart 4: Global Dairy Imports and Exports in 2013
GLOSSARY

GDT Price Index
All GDT price indices are chain-linked Fisher indices using winning quantities and winning prices. For the period prior to April 2010, the GDT Price Index and the AMF, SMP and WMP price indices use GDT prices and quantities where available, and USDA Dairy Market News prices and GTIS export volumes elsewhere. USDA Western Europe average price for Butter Oil is used for AMF prior to December 2009, USDA Oceania average price for SMP is used prior to April 2010 and USDA Oceania average price for WMP is used prior to August 2008.

Farmgate Milk Price
The base price that Fonterra pays for milk supplied to it in New Zealand for a Season.

Reference Commodity Products
The commodity dairy products used in the calculation of the Farmgate Milk Price, which are currently Whole Milk Powder, Skim Milk Powder, Butter Milk Powder, Butter and Anhydrous Milk Fat.

Dry Shares
Any Shares held by a Farmer Shareholder in excess of the number of Shares required to be held by that Farmer Shareholder in accordance with the Share Standard for a Season.

Wet Shares
Any Shares held by a Farmer Shareholder which are required to be held in accordance with the Share Standard for a Season.

DIRA
The Dairy Industry Restructuring Act 2001 (New Zealand).

Share Standard
The number of Shares a Farmer Shareholder is required from time to time to hold as determined in accordance with the Constitution. The Fonterra Board may permit the Share Standard to be satisfied through the holding of both Shares and Vouchers.

Voucher
A certificate that is provided to a Farmer Shareholder upon transfer of the Economic Rights of a Wet Share to the Fund in accordance with the Trust Deed.

V3
Fonterra’s growth strategy based on accelerating volume, value and velocity.

Season
A period of 12 months to 31 May in each year.