



GLOBAL DAIRY UPDATE

Welcome to our
April 2015 Global
Dairy Update

IN THIS EDITION

Fonterra milk collection

- New Zealand 3% lower in March 2015 and 1% higher for the season to date
- Australia 9% higher in March 2015 and 6% higher for the season to date

Business update

- Plant in the Netherlands producing specialty ingredients now commissioned
- Construction complete on blending and packaging plant in Indonesia
- \$250 million bond offer

Global dairy market overview

- Global milk production growth easing and volatility in exports and imports

Dairy commodity prices on 1 April 2015

- Fonterra volume sold on GDT of 21,820 MT
- GDT Price Index 11% lower than the previous event

2015
Financial Calendar

20 APRIL 2015
Dividend payment date

1 JUNE 2015
Measurement date for the Share
Standard 2015/16 season

24 SEPTEMBER 2015
Annual results announcement

LATE NOVEMBER 2015
Fonterra Annual Meeting

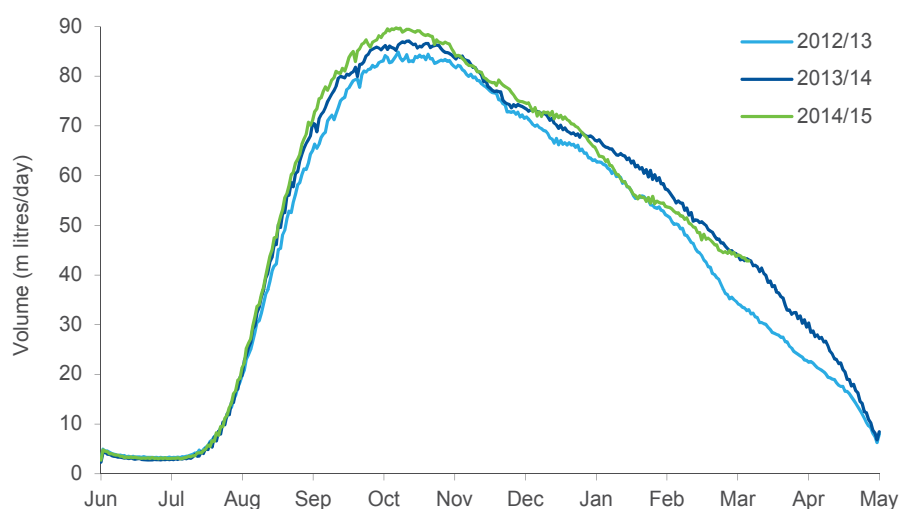
1 DECEMBER 2015
Compliance date for the Share
Standard 2015/16 season

FONTERRA MILK COLLECTION

NEW ZEALAND

SEASON	MARCH
↑ 1%	↓ 3%
1,431 million kgMS	140 million kgMS

Milk collection in New Zealand for the 10 months to 31 March reached 1,431 million kgMS, one per cent higher than the same period last season. However across New Zealand milk collection in March was three per cent behind March last season.



Source: Fonterra Co-operative Group, 1 April 2015

North Island collection in March reached 80 million kgMS, in line with March last season. Rain in March, consistent with long-term averages, provided support for milk volumes. However, dry conditions remain across most dairying regions and follow-up rain is needed to hold milk production in line with last season over the coming months.

South Island collection in March reached 60 million kgMS, seven per cent lower than March last season.

Soil moisture remains low across most South Island dairying regions. Scattered rain in March was not enough to ease the irrigation restrictions many farmers are still facing and extremely dry conditions continue to affect pasture growth rates.

Milk collection in Australia for the nine months to 31 March reached 100 million kgMS, six per cent higher than the same period last season.

Milk collection in March reached nine million kgMS, nine per cent ahead of

March last season.

Most dairying regions, Tasmania in particular, received some rain, resulting in favourable pasture growth conditions.

Western Victoria has seen a significant increase in production relative to last season while Tasmania is tracking in line with last season's production levels.

The table below shows Fonterra milk solids collected in New Zealand and Australia for the 2014/15 season compared to the 2013/14 season.

FONTERRA MILK COLLECTION

FONTERRA MILK COLLECTION (MILLION KGMS)	MARCH 2015	MARCH 2014	MONTHLY CHANGE ²	JUNE 2014 TO MARCH 2015 ³	JUNE 2013 TO MARCH 2014 ³	SEASON-TO-DATE CHANGE ²
Total Fonterra New Zealand ¹	140	144	(3.0)%	1,431	1,416	1.1%
North Island ¹	80	80	0.1%	907	889	2.1%
South Island ¹	60	64	(6.8)%	524	527	(0.7)%
				JULY 2014 TO MARCH 2015 ³	JULY 2013 TO MARCH 2014 ³	SEASON-TO-DATE CHANGE ²
Fonterra Australia	9.4	8.7	8.6%	100.3	94.6	5.9%

¹ Milk collection data includes DIRA milk, which is collected and sold to other New Zealand processors.

² Percentage change reflects the change in the underlying figures and may be different due to rounding in million kgMS.

³ Data includes the period from the first calendar day to the last calendar day of the quoted months.

BUSINESS UPDATE

PLANT IN THE NETHERLANDS PRODUCING SPECIALTY INGREDIENTS NOW COMMISSIONED



New specialty dairy ingredients plant at Heerenveen, the Netherlands

This year we commissioned our wholly owned and operated dairy ingredients plant at Heerenveen, in the north of the Netherlands.

Built on a 25-hectare site that has been developed in partnership with Dutch cheese producer A-ware Food Group, this gives us access to 600-800 million litres of milk in the European market.

Under this agreement A-ware operates a cheese plant, supplying A-ware customers in Europe. Fonterra operates an ingredients plant processing whey and lactose, the by-products of cheese production, into whey protein and lactose specialty ingredients.

These specialty ingredients are used in high-value paediatric, maternal and

sports nutrition products to supply Fonterra customers in Europe and Asia.

This partnership supports our multi-hub strategy for milk growth with offshore milk pools complimenting our New Zealand milk supply, and specialty ingredients from Europe going to our global customers.



New specialty dairy ingredients plant at Heerenveen, the Netherlands

CONSTRUCTION COMPLETE ON BLENDING AND PACKAGING PLANT IN INDONESIA

Construction is now complete on our blending and packing plant in Indonesia. This is our first manufacturing facility in the country and the largest investment, \$36 million, in new manufacturing in ASEAN in the past 10 years.

Manufacturing is now undergoing the final stages of testing, commissioning and regulatory approval. The facility has received an 'A' rating for the Badan Pengawas Obat dan Makanan (BPOM) regulatory audit, has obtained Halal Assurance System certification from Lembaga Pengkajian Pangan, Obat

dan kosmetik Majelis Ulama Indonesia (LPPOM MUI) and is on track for commercial production in mid-2015.

Food safety assurance is a critical element in the design and operations process and has been considered in every phase of construction. The new site features three processing lines and a state-of-the-art powder batching and blending system to match the degree of flexibility required in this fast-growing market.

It will support the growth of our consumer brands Anlene™, Anmum™ and Anchor

Boneeto™, with the capacity to blend and pack 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.

Indonesia is one of our four key strategic markets. Investing in these markets is an important part of our global strategy to build and grow beyond our current consumer and advanced nutrition position.



Fonterra Brands Indonesia's new manufacturing facility at Cikarang, West Java, Indonesia

\$250 MILLION BOND OFFER

We are making an offer of \$250 million of senior bonds to institutional investors and New Zealand retail investors.

The bonds will mature in October 2021. Proceeds from the offer will be used for general corporate purposes.

Our debt funding is provided by a combination of bank facilities and bonds, issued to both offshore and New Zealand investors. Debt is raised across a range of currencies and maturities in order to achieve the lowest possible funding

costs and to minimise refinancing risks from maturing debt.

As a result, Fonterra regularly issues bonds to both refinance maturing bonds and to raise new debt.

The gearing ratio at the interim result date of 31 January 2015 was 51 per cent and it is typically higher at the interim result due to seasonal funding. Our balance sheet strength has been built through a prudent approach of retained earnings, divestment on non-core assets

and disciplined investments.

We have spent a number of years bringing our gearing ratio down to strengthen our balance sheet and to position ourselves to pursue investment opportunities when they arise. Those opportunities are now arising as part of a growth phase in our strategy.

Full details on the bond offer are contained in the term sheet, available at <https://www.nzx.com/companies/FCG>.

GLOBAL DAIRY MARKET OVERVIEW

PRODUCTION

EU production in January was in line with the same month last year. This was the first month since June 2013 where there has been no growth in milk production. Ireland posted the largest decrease, down 14 per cent. Only the UK and Poland showed any growth in milk production in January.

US production in January increased two per cent compared to the same month last year. This increase was below market expectations and affected by reduced production in the major dairy-producing states of California, New Mexico, Texas, Washington, Oregon and Idaho.

Argentina and Uruguay production data for January is not complete. Production in December decreased one per cent compared to the same month last year.

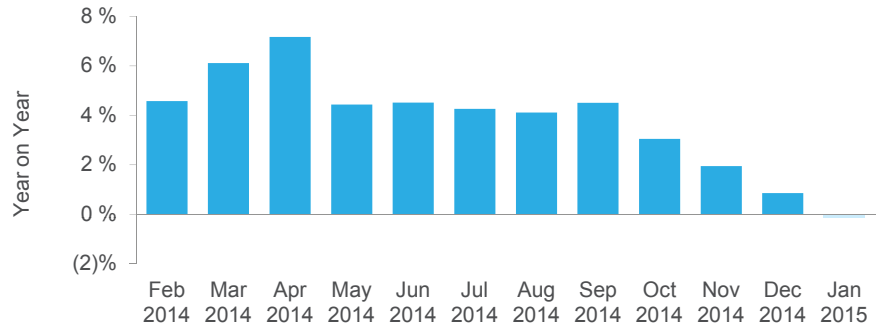
Australia production in January increased one per cent compared to the same month the previous year. Production decreased in Victoria but increased seven per cent in Tasmania.

For Fonterra's New Zealand production, refer to page 1.

Production data in 2014 for the above major export-producing countries now appears complete. Production in 2014 increased four per cent compared to 2013, or 10 million tonnes of liquid milk. This increase is approximately 40 per cent of New Zealand's annual production.

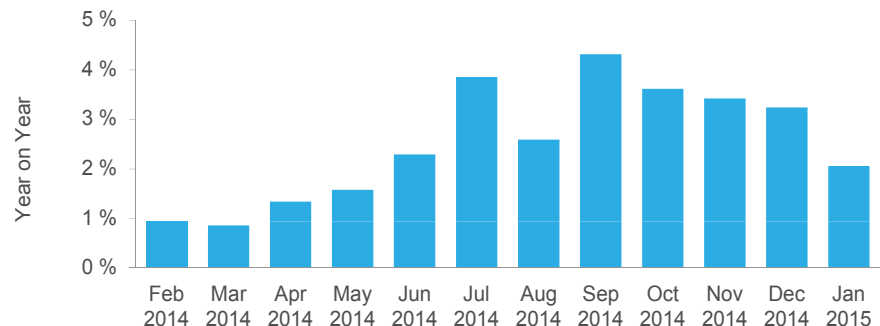
EU

Annual production ~146 million tonnes of milk collected



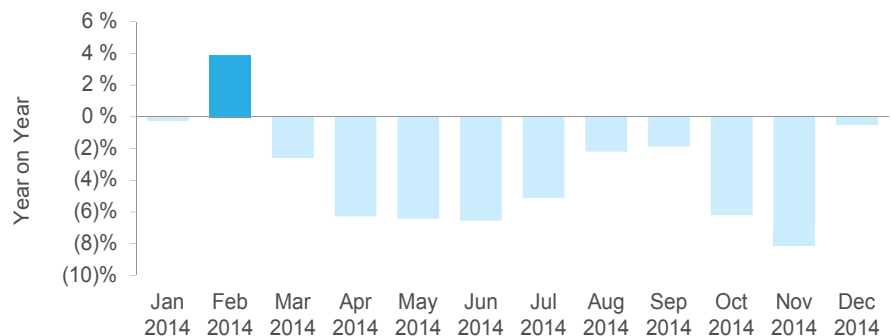
US

Annual production ~92 million tonnes of milk collected



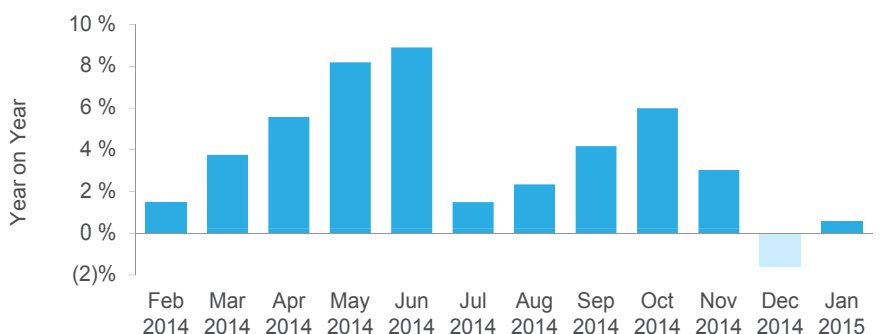
ARGENTINA AND URUGUAY

Annual production ~9 million tonnes of milk collected



AUSTRALIA

Annual production ~10 million tonnes of milk collected



Source: Government milk production statistics / GTIS trade data / Fonterra analysis

EXPORTS

New Zealand exports in January increased three per cent compared to the same month last year. This was driven by SMP and AMF increasing 25 per cent and cheese increasing 21 per cent. However, WMP decreased 10 per cent to 137,000 tonnes.

Australian exports in January decreased three per cent compared to the same month last year. Increases across most of the major dairy categories including SMP, fluid and fresh dairy, cheese and whey powder were offset by a large decrease in WMP, down 62 per cent.

EU exports in December increased eight per cent compared to the same month last year. Exports in 2014 increased 11 per cent compared to 2013. This increase was driven primarily by SMP up 59 per cent and fluid and fresh dairy up 18 per cent.

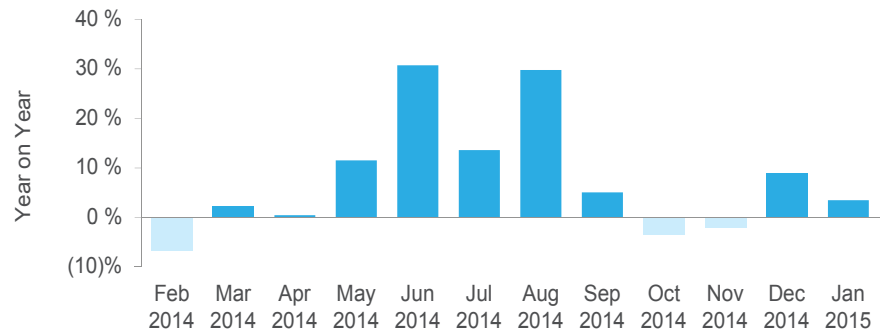
US exports in January decreased 22 per cent compared to the same month last year. This decrease was driven by many of the major export categories including cheese down 26 per cent, whey powder down 20 per cent and SMP down 15 per cent.

Argentina and Uruguay export data is not complete for December.

Argentina and Uruguay continue to face challenges with exports, which decreased 13 per cent in November compared to the same month the previous year. Exports in the year to November 2014 were eight per cent lower than the same period in 2013.

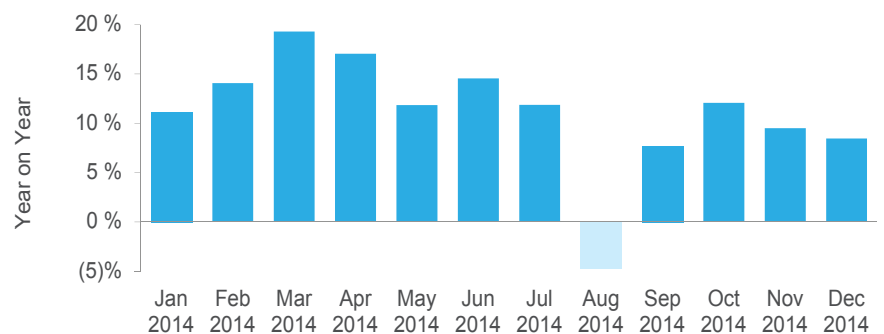
NEW ZEALAND

Annual exports ~3.0 million tonnes of product



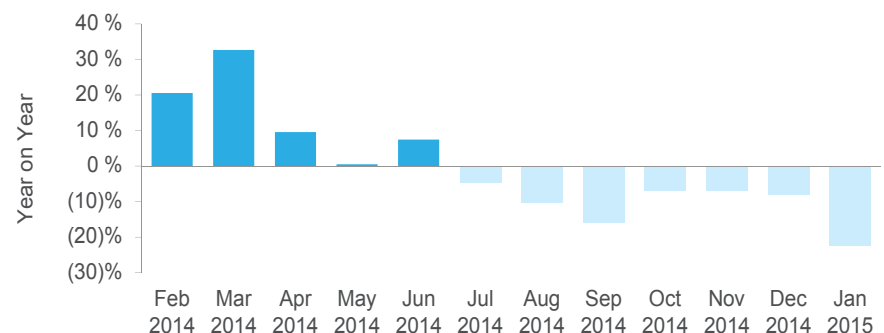
EU

Annual exports ~4.4 million tonnes of product



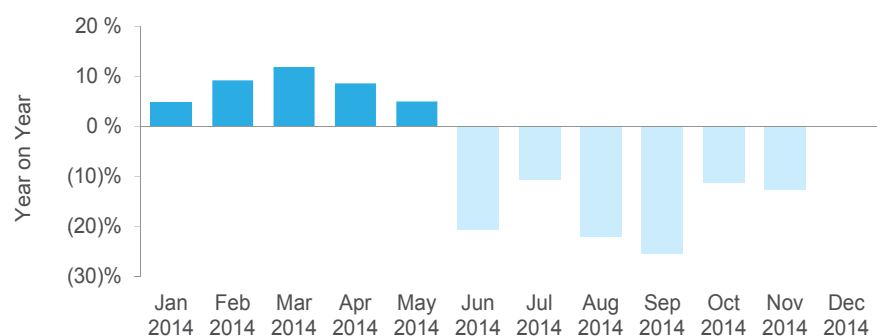
US

Annual exports ~2.2 million tonnes of product



ARGENTINA AND URUGUAY

Annual exports ~0.6 million tonnes of product



IMPORTS

China imports in February decreased 36 per cent compared to the same month last year. A decrease was seen across most of the major dairy categories including WMP down 49 per cent, SMP down 35 per cent and whey powder down 18 per cent. New Zealand remains a significant supplier to China.

Middle East and Africa is an important market for global dairy trade importing more than three million tonnes annually.

Middle East and Africa imports for December increased one per cent compared to the same month the previous year. Imports in 2014 increased 10 per cent when compared to 2013. This increase was driven by fluid and fresh dairy up 19 per cent, SMP up 14 per cent and WMP up 13 per cent.

New Zealand is an important supplier of WMP to the Middle East and Africa, accounting for approximately 35 per cent of WMP imports in 2014.

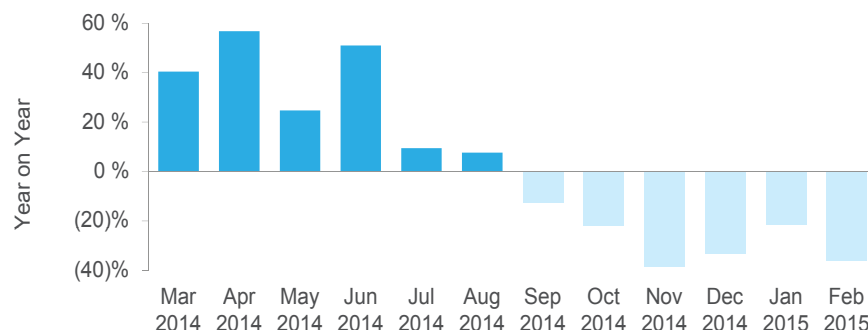
Asia (excluding China) is one of the largest markets for global dairy trade, importing more than three million tonnes of product annually.

Asia (excluding China) imports for December increased nine per cent compared to the same month the previous year. SMP and WMP were up 17 per cent and nine per cent respectively. In addition fluid and fresh milk increased seven per cent over the same period. Imports in 2014 increased five per cent when compared to 2013. This was driven by increases across most major dairy commodities, including butter up 20 per cent, caseinate up 19 per cent, WMP up 12 per cent, SMP up nine per cent and fluid and fresh dairy up seven per cent.

Import data for Russia has not been consistently published, making it difficult to provide an accurate assessment.

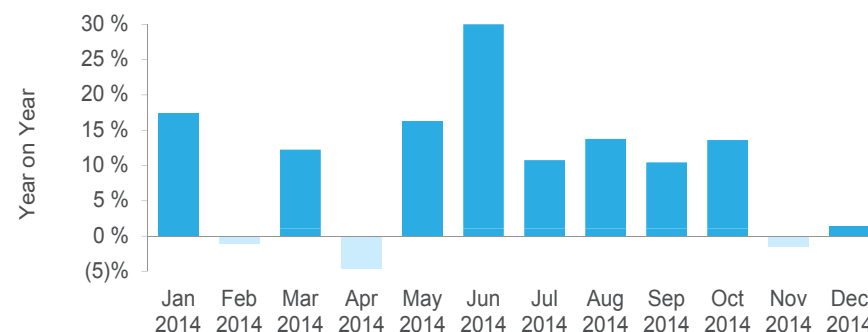
CHINA

Annual imports ~2.1 million tonnes of product



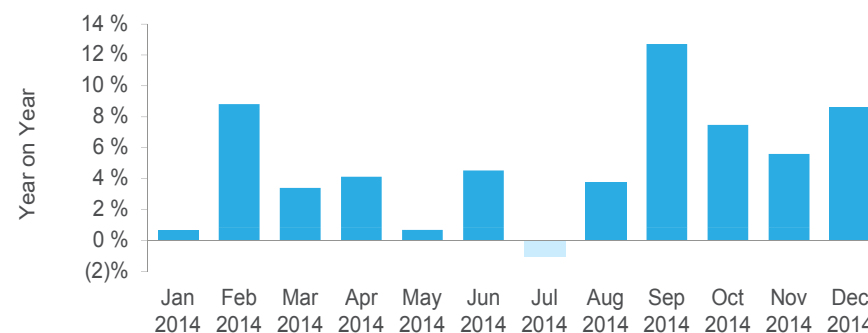
MIDDLE EAST AND AFRICA

Annual imports ~3.3 million tonnes of product



ASIA EXCLUDING CHINA

Annual imports ~3.7 million tonnes of product



Source: Government milk production statistics / GTIS trade data / Fonterra analysis

DAIRY COMMODITY PRICES

GDT PRICE INDEX
LAST TRADING EVENT:
1 APRIL 2015

↓ 10.8%

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

GDT RESULTS

	LAST TRADING EVENT (1 APR 2015)	YEAR TO DATE (1 AUG 2014 TO 1 APR 2015)
Fonterra quantity sold on GDT (Winning MT)	21,820	625,229
GDT average winning price (US\$ MT/FAS)	\$2,746	\$2,842
Change in GDT Price Index over same period last year	(35%)	(42%)
Change in GDT Price Index from previous event	(10.8%)	n/a

Dairy commodity prices were on average 11 per cent lower than the last trading event, with an average winning price of US\$2,746 per MT.

The GDT Price Index for the financial year to date is down 42 per cent compared to the same period the previous year.

Compared to the last trading event all commodity prices were down, with significant movements in BMP, down 25.1 per cent, WMP down 13.3 per cent, cheddar down 10.5 per cent, SMP down 9.9 per cent, rennet casein down eight per cent and butter, down 7.6 per cent.

In addition, AMF was down 5.3 per cent.

The Fonterra volume sold was 21,820 MT, with prices decreasing 12 per cent compared to the last event.

China was the largest buyer by region followed by the Middle East, Africa and South East Asia.

GDT PRICE INDEX



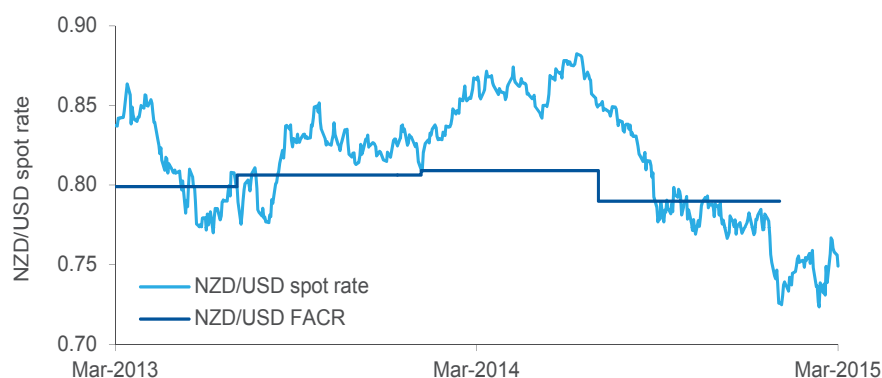
Source: GlobalDairyTrade, 2 April 2015

The next trading event will be held on 14 April 2015. Visit www.globaldairytrade.info for more information.

NEW ZEALAND DOLLAR TREND

The chart shows the spot price of the NZD/USD rate from March 2013. The dark blue line is the Fonterra average conversion rate (FACR). It shows Fonterra's foreign currency rate adjusted for the gains and losses arising from Fonterra's currency hedging.

NZD/USD 31 MARCH 2013 TO 31 MARCH 2015



As at 01 April 2015

GLOSSARY

AMF

Anhydrous Milk Fat.

BMP

Butter Milk Powder.

DIRA

Dairy Industry Restructuring Act 2001 (New Zealand).

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 minimum shareholding requirement for a season.

Farmgate Milk Price

The price for milk supplied in New Zealand to Fonterra by farmer shareholders.

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 anhydrous milk fat (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.

Reference Commodity Products

The commodity 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.

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.

SMP

Skim Milk Powder.

V3

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

Voucher

A certificate that is provided to a farmer shareholder upon transfer of the Economic Rights of a wet share to the Fonterra Shareholders' Fund in accordance with the Trust Deed.

Wet shares

Any shares held by a farmer shareholder that are required to be held in accordance with the minimum shareholding requirement for a season.

WMP

Whole Milk Powder.