

Fonterra: GLOBAL DAIRY UPDATE



JULY 2013 ISSUE ELEVEN

Welcome to our latest Global Dairy Update. The Update is Fonterra's commitment to continually educating and informing our farmers and wider stakeholders about the global dairy market, trends in New Zealand milk production and progress we are making on our key strategic themes.

This issue covers the following topics:

- New Zealand milk volumes down 11.8% for June 2013
- GlobalDairyTrade (GDT) prices 0.7% higher at the latest auction on 2 July 2013
- Business update including new executive appointments

2013 FINANCIAL CALENDAR:

31 July 2013

Financial year end

25 September 2013

Annual Results announced

Early October (TBC on 25 September)

Record Date for Final Dividend

Late October 2013

Final dividend paid

27 November 2013

Shareholders Annual Meeting

1 December 2013

Compliance date for Share Standard 2013/14 season

FONTERRA'S NEW ZEALAND MILK COLLECTION

The start of the 2013/14 season saw milk produced from a small number of suppliers who continued milking through the winter. Milk collection across New Zealand reached 8.4 million kgMS for the month of June, down 11.8% compared to June last year. Many herds in the North Island will begin calving shortly followed by those in the South Island in late July and early August.

Milk Collection for the 2013/14 Season ¹	1 June 2013 to 30 June 2013 (million kgMS)	1 June 2012 to 30 June 2012 (million kgMS)	Change
Total Fonterra milksolids collected	8.4	9.5	-11.8%
North Island milksolids	6.3	7.3	-13.3%
South Island milksolids	2.1	2.3	-6.7%

^{1:} Milk collection data includes DIRA milk which is collected and sold to other NZ processors.

DAIRY COMMODITY PRICES

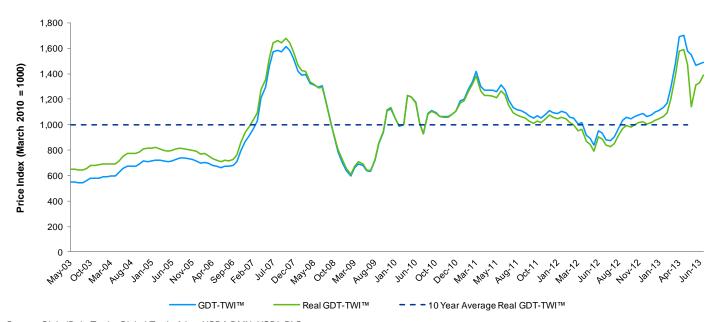
The latest GlobalDairyTrade (GDT) auction on 2 July 2013 saw the second consecutive price increase, with prices 0.7% higher on average. Rennet Casein experienced the largest increase, up 7.9%, while Cheddar and Butter prices decreased 3.7% and 5.7%, respectively.

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

	Last Trading Event (2 July 2013)	Year-to-Date (1 Aug 2012 to 2 July 2013)
Quantity Sold (Winning MT)	38,890 MT	866,667 MT
Average Winning Price (USD MT/FAS)	4,643	3,585
Change in GDT-TWI Price Index from previous event	0.7%	n.a.
Change in GDT-TWI Price Index over same period last year	n.a.	20.88%

The next trading event will be held on 16 July 2013. Visit www.globaldairytrade.info for more information.

CHART 2: GLOBALDAIRYTRADE(GDT) TRADE WEIGHTED PRICE INDEX

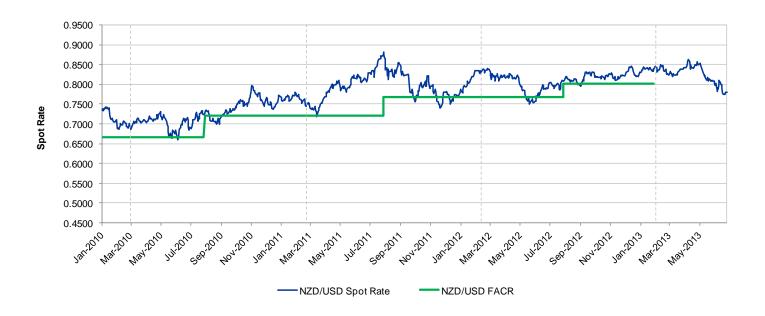


Source: GlobalDairyTrade, Global Trade Atlas, USDA DMN, USDL BLS.

New Zealand Dollar Trend

The chart below shows the spot price of the NZD/USD rate over the past three years. The green 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 3: NEW ZEALAND DOLLAR VS US DOLLAR - 1 JAN 2010 TO 30 JUNE 2013



BUSINESS UPDATE

New Executive Appointments

Fonterra has made two new appointments to the senior management team. Lukas Paravicini as Chief Financial Officer and Jacqueline Chow as Managing Director Global Brands & Nutrition.



Mr Paravicini takes over the CFO position from Jonathan Mason who retires at the end of September. Mr Paravicini joins Fonterra after 22 years with Nestle. He has been General Manager for Nestle Professional Europe for the last two years and prior to this he held a number of senior finance positions in different parts of the Nestle business including running their Global Business Services and spending 10 years in Latin America.

Lukas' strengths and experiences will be a considerable asset to Fonterra. He really understands dairy and has lived and worked in some of our most strategically important markets.

The MD Global Brands & Nutrition is a new role on the Fonterra management team, and leads a new function driving Fonterra's overall marketing, innovation and research activities.



Ms Chow has a 20-year career in global blue-chip multinationals and joins Fonterra from Arnott's, where she was General Manager of Australia and New Zealand and led the growth of its \$1 billion business. She has held executive marketing and innovation roles in Campbell's and the Kellogg Company, and started her career as a strategy consultant in consumer products.

Jacqueline will bring extensive FMCG and marketing experience to our marketing and innovation agenda in support of our strategy.

Theo Spierings says the appointments reflect well on the co-operative's continued ability as a global player in the dairy industry to attract high calibre, internationally experienced people to senior management roles.

With these appointments the Fonterra management team which drives the strategy and day-to-day performance of the business now comprises:

- Managing Director NZ Milk Products, Gary Romano
- Managing Director APMEA (acting), Johan Priem
- Managing Director Greater China & India, Kelvin Wickham
- Managing Director Latin America, Alex Turnbull
- Chief Financial Officer, Lukas Paravicini
- Managing Director Global Brands & Nutrition, Jacqueline Chow
- Managing Director People, Culture & Services, Chris Caldwell

The new organisation structure will take effect from the start of Fonterra's financial year on 1 August, 2013 with Mr Paravicini taking up his position in September and Ms Chow taking up her position in October.

Support Services Review Complete

Fonterra has completed consulting with staff as part of our Support review and as a result it will achieve a reduction of approximately 300 roles first identified when the review began in May. The review is expected to be completed by October once people have worked out their notice periods.

The review identified opportunities to reduce duplication and layers of management within the corporate office and opportunities to progress Fonterra's strategy implementation.

GLOSSARY

GDT-TWI™ Price Index

A chain-linked, trade-weighted Fisher index that uses total international trade flows. The index uses GlobalDairyTrade prices where available and USDA Dairy Market News prices 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. From 16 August 2011 the indices includes movements in Cheese prices.

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.