Welcome to our March 2014 Global Dairy Update.

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- GDT prices on 4 March 2014 4.0% lower than the last event on 18 February 2014
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  - Investing in New Zealand capacity to support our consumer and foodservice expansion
  - First farming hub in China complete
  - Update on Share Standard compliance

2014 Financial Calendar:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 March 2014</td>
<td>Interim Results Announced</td>
</tr>
<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

4.9% INCREASE TO
↑1,272 M kgMS

Milk collection across New Zealand for the nine months to 28 February 2014 reached 1,272 million kgMS, 4.9% higher than the same period last Season.

Some regions of the North Island have and continue to experience dry conditions, with western regions receiving less rainfall than eastern regions. The South Island has received more consistent rainfall than the North Island and is contributing to strong production levels for the Season-to-date.

Milk collection for February 2014 in the North Island was 12.9% higher, while the South Island was 7.5% higher than February 2013.

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>Milk Collection for the 2013/14 Season¹ (million kgMS)</th>
<th>February 2014</th>
<th>February 2013</th>
<th>Monthly change²</th>
<th>June 2013 to February 2014²</th>
<th>June 2012 to February 2013²</th>
<th>Season-to-date change³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fonterra milksolids collected</td>
<td>151</td>
<td>137</td>
<td>10.6%</td>
<td>1,272</td>
<td>1,212</td>
<td>4.9%</td>
</tr>
<tr>
<td>North Island milksolids</td>
<td>88</td>
<td>78</td>
<td>12.9%</td>
<td>808</td>
<td>773</td>
<td>4.6%</td>
</tr>
<tr>
<td>South Island milksolids</td>
<td>63</td>
<td>59</td>
<td>7.5%</td>
<td>463</td>
<td>440</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Note 1: Milk collection data includes DIRA milk which is collected and sold to other New Zealand processors
Note 2: Milk collection data includes the period from 1 June to closing of the most recently reported month
Note 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
Total volume traded at the latest GDT auction on 4 March 2014 was 41,086 MT. Dairy commodity prices were on average 4.0% lower than the last trading event with an average winning price of USD 4,794 per MT. Prices remain firm, up 46% over the same seven month period last financial year.

Compared to the last trading event, the commodity prices that firmed included Butter up 3.9%, Rennet Casein (RenCas) up 2.9% and Cheddar up 0.7%. The commodity prices that softened included a moderate movement in Butter Milk Powder (BMP) and Whole Milk Powder (WMP) down 5.8% and 5.7% respectively. In addition Skim Milk Powder (SMP) was down 3.9% and Anhydrous Milk Fat (AMF) 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 (4 March 2014)</th>
<th>Year-to-date (1 Aug 2013 to 4 March 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity Sold (Winning MT)</td>
<td>41,086</td>
<td>705,309</td>
</tr>
<tr>
<td>Average Winning Price (USD MT/FAS)</td>
<td>$4,794</td>
<td>$4,921</td>
</tr>
<tr>
<td>USD Change in GDT Price Index over same period last year</td>
<td>16%</td>
<td>46%</td>
</tr>
<tr>
<td>USD Change in GDT Price Index from previous event</td>
<td>-4.0%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

The next trading event will be held on 18 March 2014. Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information.

### Chart 2: GDT Price Index

Source: GlobalDairyTrade, USDA DMN
New Zealand Dollar Trend

The chart below shows the spot price of the NZD/USD rate over the past three years. 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 3: NZD/USD 1 January 2011 to 28 February 2014

BUSINESS UPDATE

Forecast Cash Payout Update for 2013/14 Season

The Forecast Farmgate Milk Price for the 2013/14 Season was increased by 35 cents to a record level of $8.65 per kgMS, along with a previously announced estimated dividend of 10 cents per share.

This increase reflects continued strong demand for milk powders globally, particularly driven by a supply and demand imbalance in China.

In December 2013, the Board approved a Forecast Farmgate Milk Price that was 70 cents per kgMS lower than the Milk Price calculated in accordance with the Farmgate Milk Price Manual. This position is being maintained with the current forecast being 70 cents lower than the $9.35 Milk Price derived under the Manual.

An update on business performance will be announced with the interim results on 26 March. This announcement will be on Sky TV and Fencepost from 10.00 am NZT, and a market briefing webcast will be available on www.fonterra.com from 1.30 pm NZT.

New Zealand Milk Supply Forecast

Milk volumes are forecast to grow by 7.5% to 1,573 million kgMS for the 2013/14 season. This is an increase from our previous forecast (in December) of 6.4%.

While we are seeing dry conditions impact some regions of the country, particularly Waikato and Northland, these are not as widespread as the same time last season. The lift in Forecast Farmgate Milk Price may have a positive influence on milk supply increasing above our previous forecast.
Investing in New Zealand Capacity to Support Our Consumer and Foodservice Business

Investing in New Zealand capacity remains a focus in order to support our consumer and foodservice business growth and recent examples of this include investments in slice-on-slice cheese and UHT milk processing.

Taranaki’s Eltham site is undertaking a $32 million expansion of its slice-on-slice cheese capacity which is expected to be complete in mid-2015. Supporting our growth strategy, the expanded plant will deliver increased capacity and improved processes to meet growth in global demand, particularly in Oceania, China and the Middle East.

Meanwhile, our new UHT milk processing plant in Waitoa has been successfully commissioned, with its first Anchor™ UHT product off the line this month. This $120 million investment will help better position Fonterra to meet market demand in Asia by producing a range of products including Anchor™ UHT white milk and UHT cream. It will be able to process more than 100 million litres of milk per year by August 2014.

Last year our China business successfully launched Anchor™ UHT and the rollout of Anchor™ 250ml UHT in the Yangtze River Delta. This marked a key step in the development of our everyday nutrition plans to grow from four to eight consumer markets.

First Farming Hub in China Complete

China is one of our key markets and generated NZD 2.5 billion revenue in the 2013 financial year. Farming hubs are a key part of our strategy to be a more integrated dairy business in Greater China and to contribute to the growth and development of the local Chinese dairy industry.

The China farms team has recently completed construction on Yutian 3, the final farm in our first hub in Hebei Province. This is a large farm, twice the size of the previous farm builds and is milking over 6,000 cows. Yutian hub, which is close to Beijing, now has five operational dairy farms, milking a total of around 15,000 cows, producing 150 million litres a year.

The milk hubs assist meeting customer and consumer demand for safe, high quality fresh milk. Demand for raw milk in China is growing rapidly and there are significant opportunities for Fonterra to help bridge the supply gap by growing our own domestic milk supply in China, and continuing to import our high quality finished dairy products.

Share Standard Compliance

Every quarter we disclose our forecast Minimum Shares required to meet the Share Standard as well as the associated impact this has on Dry Shares held by Shareholders, and Units issued by the Fonterra Shareholders’ Fund.

As a Co-operative, Fonterra requires all Farmer Shareholders to hold a minimum number of Shares linked to the amount of milk they supply each season; that is one Share for every kgMS produced. This is referred to as the Share Standard.

The Minimum Shares required to meet the Share Standard are generally calculated as the average of a Farmer Shareholders’ prior three Seasons actual production.

The table at the top of the next page summarises the downstream impacts on the Standard and Fonterra Shareholders’ Fund, resulting from forecast production this Season.
Table 3: Current and Forecast Share Standard Compliance

<table>
<thead>
<tr>
<th>Figures in millions unless otherwise stated</th>
<th>2013/14 Season opening balance at June 2013</th>
<th>2013/14 Season current balance at March 2014</th>
<th>Forecast 2014/15 Season opening balance at June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Shares required for Share Standard</td>
<td>1,400</td>
<td>1,398</td>
<td>1,446¹</td>
</tr>
<tr>
<td>Vouchers that count towards the Share Standard</td>
<td>-60</td>
<td>-60</td>
<td>-60</td>
</tr>
<tr>
<td>Dry Shares held by Farmer Shareholders²</td>
<td>157</td>
<td>154</td>
<td>105</td>
</tr>
<tr>
<td>Units issued by the Fonterra Shareholders’ Fund</td>
<td>101</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>Total Shares on Issue</td>
<td>1,598</td>
<td>1,598</td>
<td>1,598</td>
</tr>
<tr>
<td>Dry Shares held by Farmer Shareholders’ (% of Shares on Issue)</td>
<td>9.82%</td>
<td>9.61%</td>
<td>7%</td>
</tr>
<tr>
<td>Fonterra Shareholders’ Fund size (% of Shares on Issue)</td>
<td>6.32%</td>
<td>6.68%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Note 1: Forecast Minimum Shareholding calculated as the average of the prior 2 Seasons’ actual production for the 2011/12 and 2012/13 Season’s and the forecast for 2013/14 season of 1,573 million kgMS.

Note 2: Calculated as Shares on Issue less Minimum Shareholding under the Share Standard less Units issued by the Fonterra Shareholders’ Fund plus Vouchers.
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.