



GLOBAL DAIRY UPDATE

Welcome to our
March 2015
Global Dairy
Update

IN THIS EDITION

Fonterra milk collection

- New Zealand 7% lower in February 2015 and 1.5% higher for the season to date
- Australia 4% higher in February 2015 and 5% higher for the season to date

Business update

- Minimum shareholding requirements for farmer shareholders
- 2015 interim results announcement details

Global dairy market overview

- Easing growth in global milk production and steady import growth in Middle East, Africa and Asia

Dairy commodity prices on 3 March 2015

- Fonterra volume sold on GDT of 20,727 MT
- GDT Price Index 1% higher than the previous event

2015
Financial Calendar

25 MARCH 2015
Interim results announcement

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

LATE SEPTEMBER 2015
Annual results announcement

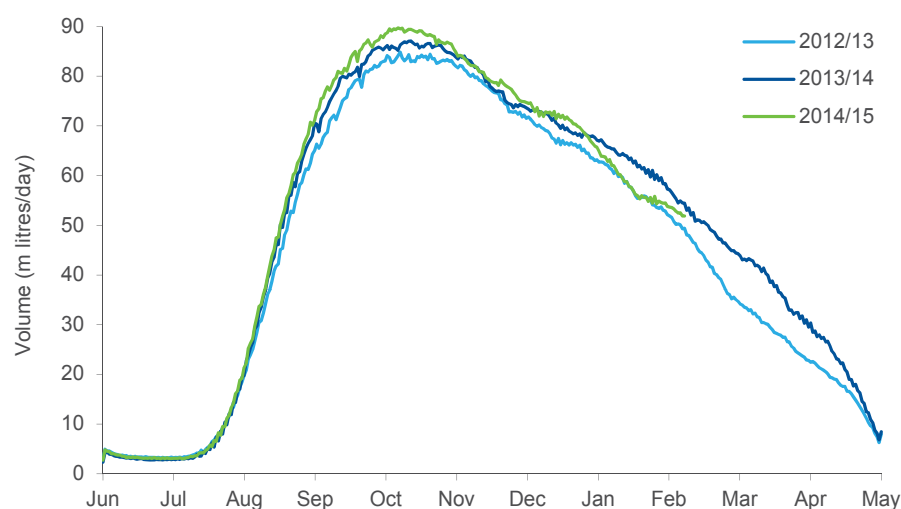
1 DECEMBER 2015
Compliance date for the Share
Standard 2015/16 season

FONTERRA MILK COLLECTION

NEW ZEALAND

SEASON	FEBRUARY
↑1.5%	↓7%
1,291 million kgMS	141 million kgMS

Milk collection in New Zealand for the nine months to 28 February reached 1,291 million kgMS, 1.5 per cent higher than the same period last season. However, the rate of growth has slowed with February milk collection seven per cent behind February last season.



Source: Fonterra Co-operative Group, 3 March 2015

North Island collection in February reached 83 million kgMS, six per cent lower than February last season. In the North Island, scattered rain in early February provided some support for milk volumes, however dry conditions remain across most dairying regions.

South Island collection in February reached 58 million kgMS, eight per cent lower than February last season.

Soil moisture remains extremely dry across most dairying regions in the South Island and irrigation restrictions have

been put in place for some suppliers in Canterbury.

The milk supply forecast for the 2014/15 season has been maintained at 1,532 million kgMS, 3.3 per cent below the 2013/14 season.

Milk collection in Australia for the eight months to 28 February reached 91 million kgMS, five per cent higher than the same period last season.

Milder than normal temperatures in

February continued across most regions. This resulted in favourable pasture growth conditions with production in February reaching nine million kgMS, four per cent ahead of February last season. Autumn weather conditions will determine if current rate of production growth will continue for the remainder of the season.

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)	FEBRUARY 2015	FEBRUARY 2014	MONTHLY CHANGE ²	JUNE 2014 TO FEBRUARY 2015 ³	JUNE 2013 TO FEBRUARY 2014 ³	SEASON-TO-DATE CHANGE ²
Total New Zealand ¹	141	151	(6.8)%	1,291	1,272	1.5%
North Island ¹	83	88	(5.7)%	827	808	2.3%
South Island ¹	58	63	(8.3)%	464	463	0.2%
				JULY 2014 TO FEBRUARY 2015 ³	JULY 2013 TO FEBRUARY 2014 ³	SEASON-TO-DATE CHANGE ²
Fonterra Australia	8.8	8.5	4.2%	90.7	86.0	5.5%

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

MINIMUM SHAREHOLDING REQUIREMENTS FOR FARMER SHAREHOLDERS

At the commencement of each season (1 June), farmer shareholders are advised of their shareholding requirement for the season and they are required to be compliant by 1 December.

A farmer shareholder's minimum shareholding requirement is generally based on the average of their farm's prior three seasons' actual production.

The forecast aggregate minimum shareholding across the Co-operative for the 2015/16 season is 1,383 million, 28 million below the current minimum shareholding requirement.

This decrease in the aggregate minimum shareholding across Fonterra is driven by the forecast milk supply for the 2014/15 season of 1,532 million kgMS, 3.3 per cent

below the 2013/14 season and Share-up Over Time options, where shareholders have the ability to spread their share purchase over three to 10 years.

The table below summarises the downstream impacts of shareholding requirements and the Fonterra Shareholders' Fund, resulting from forecast production this season.

CURRENT AND FORECAST SHAREHOLDING REQUIREMENTS

FIGURES IN MILLIONS UNLESS OTHERWISE STATED	2014/15 SEASON OPENING BALANCE AT JUNE 2014	2014/15 SEASON CURRENT BALANCE AT MARCH 2015	FORECAST 2015/16 SEASON OPENING BALANCE AT JUNE 2015
Minimum shareholding requirement	1,421	1,411	1,383 ¹
Vouchers that count towards the minimum shareholding	-55	-55	-53
Dry shares held by farmer shareholders ²	126	121	147
Units issued by the Fonterra Shareholders' Fund	106	121	121
Total shares on issue	1,598	1,598	1,598
Dry shares held by farmer shareholders (% of shares on issue)	7.9%	7.6%	9.2%
Fonterra Shareholders' Fund size (% of shares on issue)	6.6%	7.5%	7.5%

¹ Forecast minimum shareholding is calculated as the average of actual production for the 2012/13 and 2013/14 seasons and the forecast for the 2014/15 season of 1,532 million kgMS.

² Dry shares are calculated as shares on issue less minimum shareholding less units issued by the Fonterra Shareholders' Fund, plus vouchers.

FINANCIAL YEAR 2015 INTERIM RESULTS ANNOUNCEMENT

Fonterra will announce its 2015 interim results on 25 March and provide an update on performance.

There will be a range of communications on the day, including a market announcement, a SKY broadcast available for farmer shareholders on channel 950 and a results webcast, as well as detailed information available on our website www.fonterra.com.



GLOBAL DAIRY MARKET OVERVIEW

PRODUCTION

EU production data is not complete for December.

EU production in November increased two per cent compared to the same month the previous year. Production in the year to November 2014 was five per cent higher than the same period in 2013. This increase in production equates to a volume of over six million tonnes of liquid milk.

US production in December increased three per cent compared to the same month the previous year. Production in 2014 was two per cent higher than 2013.

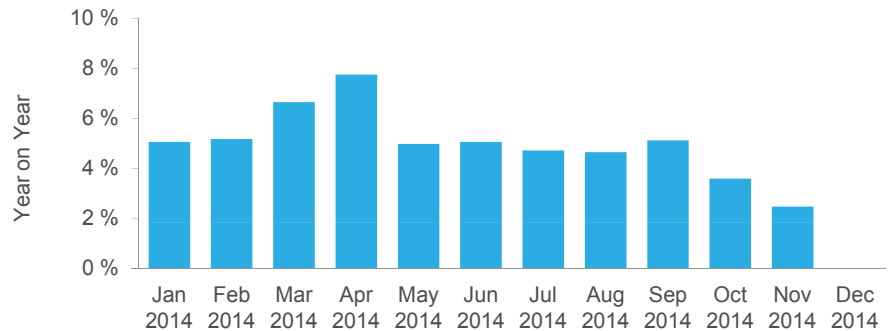
This growth in the US and EU was primarily driven by favourable weather conditions and feed input costs.

Argentina and Uruguay production in December increased one per cent compared to the same month the previous year. This is the first year on year increase seen since February 2014. Production in 2014 was four per cent lower than 2013.

Australian production in December decreased two per cent compared to the same month the previous year. Production in 2014 increased four per cent compared to 2013.

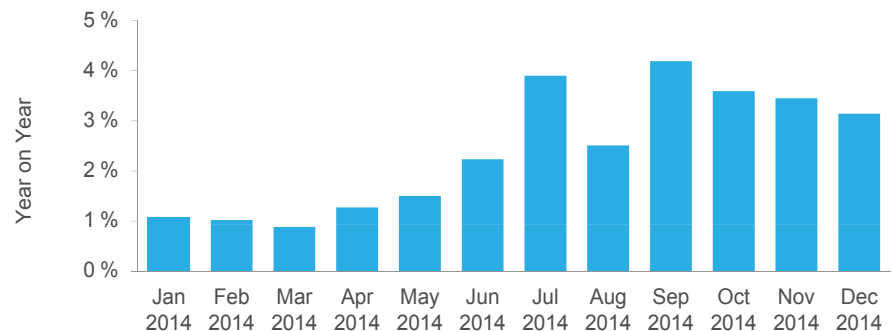
EU

Annual production ~141 million tonnes of liquid milk



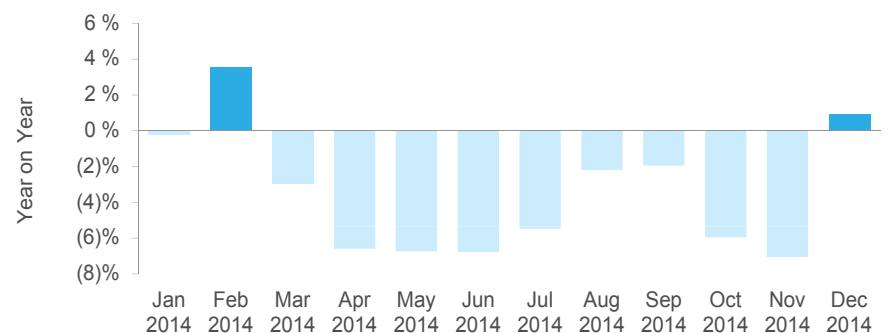
US

Annual production ~93 million tonnes of liquid milk (collected)



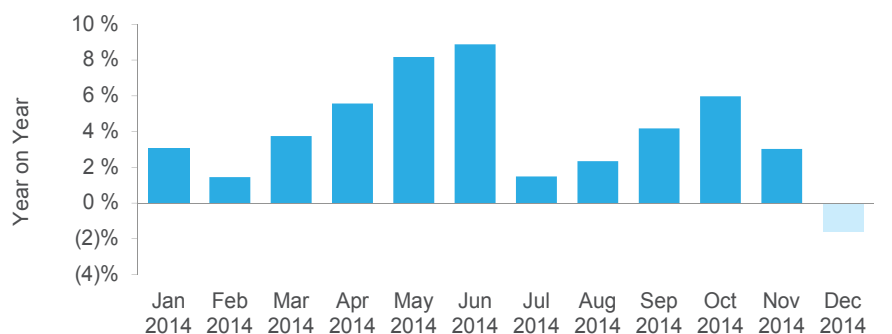
ARGENTINA AND URUGUAY

Annual production ~11 million tonnes of liquid milk



AUSTRALIA

Annual production ~10 million tonnes of liquid milk



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

EXPORTS

New Zealand exports in December increased nine per cent compared to the same month the previous year. Exports increased six per cent in 2014 when compared to 2013. This was driven by butter up 14 per cent, WMP up 10 per cent and AMF up eight per cent.

Australian exports in December jumped 14 per cent compared to the same month the previous year. This was a result of a large increase in SMP and fluid and fresh dairy exports up 63 and 52 per cent respectively. Exports increased six per cent in 2014 when compared to 2013. This was also driven by large increases in SMP and fluid and fresh dairy exports.

EU exports in November increased nine per cent compared to the same month the previous year. Exports in the year to November 2014 are 11 per cent higher than the same period in 2013. This year-to-date increase is driven by an increase across many of the major dairy categories including SMP, fluid and fresh dairy, infant formula and WMP.

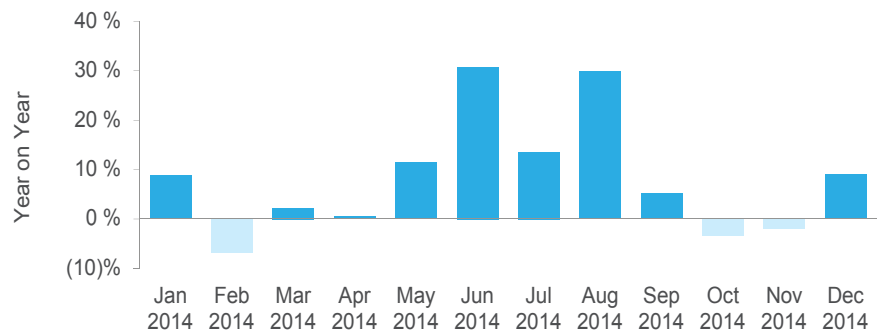
US exports in December decreased eight per cent compared to the same month the previous year. However, exports increased two per cent in 2014 compared to 2013. This year-to-date increase is driven by cheese exports up 16 per cent and whey powder up four per cent.

Argentina and Uruguay export data is not complete for December.

Argentina and Uruguay continue to face challenges with exports, which in November decreased 13 per cent compared to the same month the previous year. Exports in the year to November 2014 are eight per cent lower than the same period in 2013. This decrease is seen across many of the major product categories. However, infant formula has increased 46 per cent, fluid and fresh milk increased 17 per cent and cheese increased six per cent to November 2014 compared to the same period in 2013.

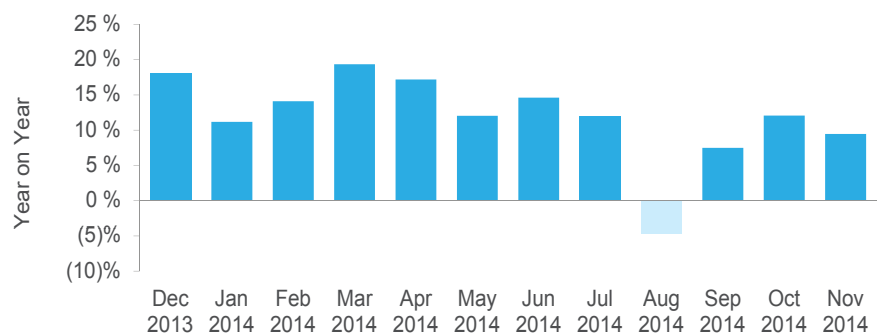
NEW ZEALAND

Annual exports ~3.0 million tonnes of product



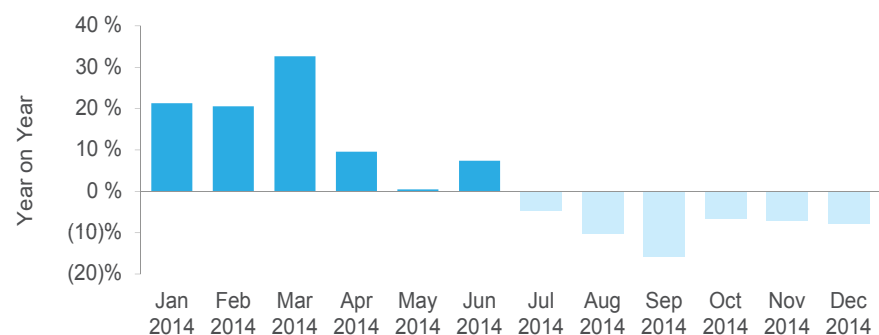
EU

Annual exports ~4.4 million tonnes of product



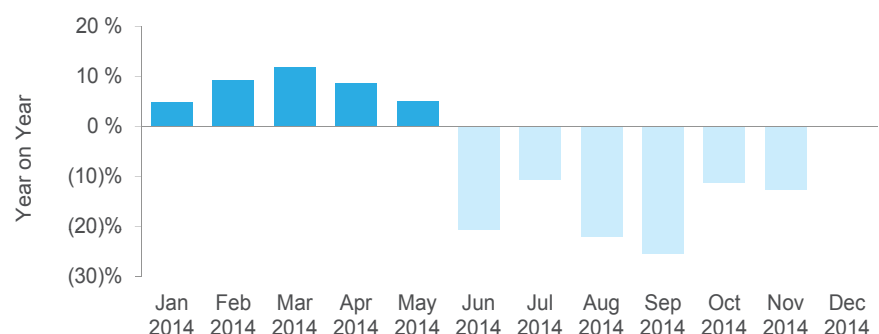
US

Annual exports ~2.2 million tonnes of product



ARGENTINA AND URUGUAY

Annual exports ~0.6 million tonnes of product



IMPORTS

China imports in January decreased 21 per cent compared to the same month the previous year. This is the fifth consecutive month of decreasing imports. This monthly change is impacted by WMP down 37 per cent, SMP down 32 per cent and whey powder down 13 per cent.

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

Middle East and Africa import data is not complete for November.

Middle East and Africa imports for October increased 15 per cent compared to the same month the previous year driven by increases across most of the major dairy categories. Imports in the year to October 2014 are 15 per cent higher than the same period in 2013 with fluid and fresh milk up 24 per cent, SMP up 18 per cent and WMP up 12 per cent.

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

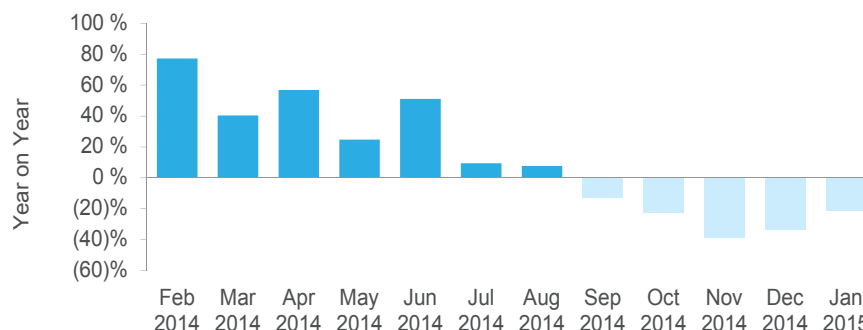
Asia (excluding China) import data is not complete for November

Asia (excluding China) imports for October increased seven per cent compared to the same month the previous year. Imports in the year to October 2014 are four per cent higher than the same period in 2013. This year-to-date increase is driven by butter up 22 per cent, WMP up 11 per cent, SMP up nine per cent and fluid and fresh milk up six per cent.

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

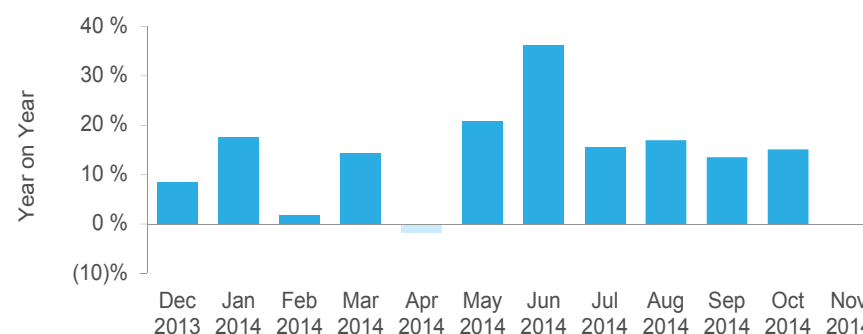
CHINA

Annual imports ~2.1 million tonnes of product



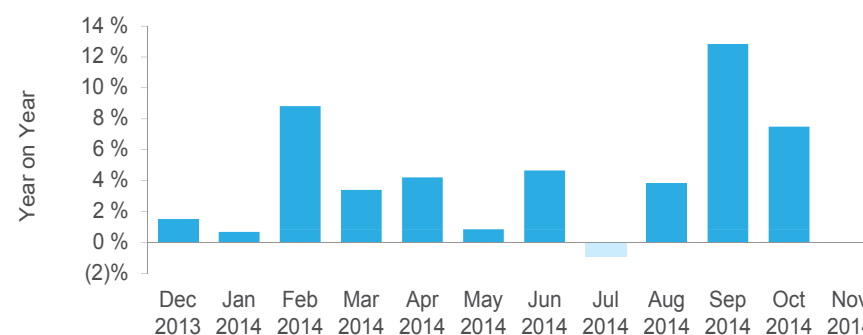
MIDDLE EAST AND AFRICA

Annual imports ~3.3 million tonnes of product



ASIA EXCLUDING CHINA

Annual imports ~3.6 million tonnes of product



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

DAIRY COMMODITY PRICES

GDT PRICE INDEX
LAST TRADING EVENT:
3 MARCH 2015

↑ **1.1%**

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

GDT RESULTS

	LAST TRADING EVENT (3 MAR 2015)	YEAR TO DATE (1 AUG 2014 TO 3 MAR 2015)
Fonterra quantity sold on GDT (Winning MT)	20,727	584,241
GDT average winning price (US\$ MT/FAS)	\$3,374	\$2,828
Change in GDT Price Index over same period last year	(31%)	(43%)
Change in GDT Price Index from previous event	1.1%	n/a

Dairy commodity prices were on average one per cent higher than the last trading event, with an average winning price of US\$3,374 per MT.

The GDT Price Index for the financial year-to-date is down 43 per cent compared to the same period the previous year.

Commodity prices that firmed included significant movements in cheddar, up

10.8 per cent and BMP, up 6.8 per cent. In addition, SMP rose 5.9 per cent and butter rose 2.5 per cent.

The commodity prices that declined included AMF, down 2.2 per cent, WMP down 1.0 per cent and rennet casein down 0.7 per cent.

The Fonterra volume sold was 20,727 MT, with prices increasing 1.1 per cent compared to the last event.

Price increases for Fonterra product sold were seen across cheddar, BMP, SMP and butter, similar to those price increases seen across GDT.

South East Asia was the largest buyer region followed by China, Middle East and Africa, as they balance supply from local production and imports with medium-term demand.

GDT PRICE INDEX



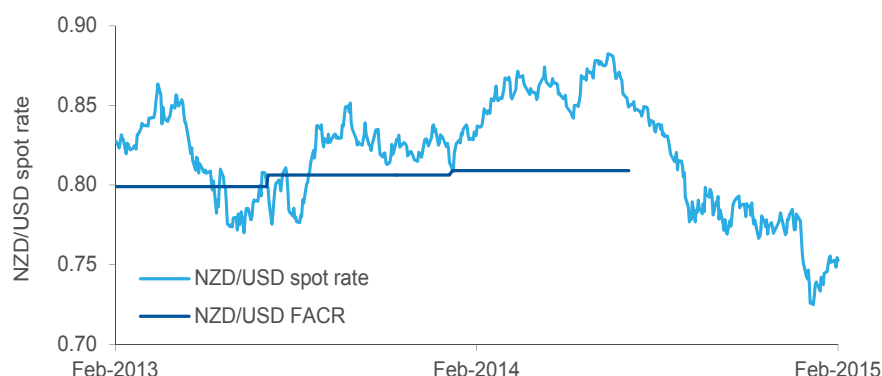
Source: GlobalDairyTrade, 4 March 2015

The next trading event will be held on 17 March 2015. Visit www.globaldairytrade.info for more information.

NEW ZEALAND DOLLAR TREND

The chart shows the spot price of the NZD/USD rate from February 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 28 FEBRUARY 2013 TO 28 FEBRUARY 2015



As at 02 March 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.