



## Welcome to our May 2014 Global Dairy Update

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  - Acquisition of 4Seasons Feeds
- GDT 6 May 2014:
  - Fonterra quantity sold on GDT of 34,699 MT
  - GDT Price index 1% lower than the previous event

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### Financial Calendar

**1 JUNE 2014**

Measurement Date for the Share Standard 2014/15 Season

**31 JULY 2014**

Financial Year End

**24 SEPTEMBER 2014**

Annual Results Announced

**12 NOVEMBER 2014**

Shareholders' Annual Meeting

**1 DECEMBER 2014**

Compliance Date for the Share Standard 2014/15 Season

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# FONTERRA MILK COLLECTION

8% INCREASE TO

**↑ 1,524 m  
kgMS**

Milk collection across New Zealand for the 11 months to 30 April 2014 reached 1,524 million kgMS, 8% higher than the same period last Season.

Rain from ex Tropical Cyclone Ita brought relief from the dry conditions that had been impacting volumes in the North Island.

North Island collection in April reached 54m kgMS. This was 51% ahead of April last Season, which was impacted by widespread drought. However the strong winds and heavy rain damaged properties in parts of the country.

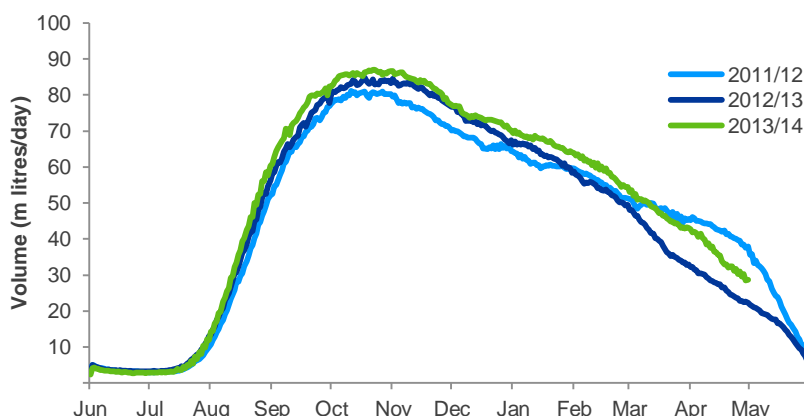
The South Island continued to experience favourable conditions with collection reaching 54m kgMS, 16% ahead of the same period last Season. The Southern regions were also impacted by the severe weather in April.

Milk collection across Australia for the ten months to 30 April 2014 reached 103m kgMS, 3% behind the same period last Season as a result of below average spring conditions.

Recent rainfall across most regions and particularly favourable pasture growth conditions in Tasmania resulted in April milk collection of 8.5m kgMS, 7% ahead of the same period last year.

The table below shows Fonterra milksolids collected for New Zealand and Australia for the 2013/14 Season compared to the 2012/13 Season.

## Fonterra Milk Collection in New Zealand



## Fonterra Milk Collection

FONTERRA MILK COLLECTION (MILLION KGMS)	APRIL 2014	APRIL 2013	MONTHLY CHANGE <sup>2</sup>	JUNE 2013 TO APRIL 2014 <sup>3</sup>	JUNE 2012 TO APRIL 2013 <sup>3</sup>	SEASON-TO-DATE CHANGE <sup>2</sup>
Total Fonterra New Zealand <sup>1</sup>	108	82	30.9%	1,524	1,414	7.7%
North Island <sup>1</sup>	54	36	50.6%	943	871	8.2%
South Island <sup>1</sup>	54	47	15.7%	581	543	7.0%
				JULY 2013 TO APRIL 2014 <sup>3</sup>	JULY 2012 TO APRIL 2013 <sup>3</sup>	SEASON-TO-DATE CHANGE <sup>2</sup>
Fonterra Australia	8.5	8.0	7.1%	103	106	(3.0%)

<sup>1</sup> Milk collection data includes DIRA milk which is collected and sold to other New Zealand processors

<sup>2</sup> Percentage change reflects the change in the underlying figures and may be different due to rounding in million kgMS

<sup>3</sup> Data includes the period from the first calendar day, to the last calendar day of the quoted months

# BUSINESS UPDATE

## NZ Milk Products Third Quarter Update

The relative increase in the price of Reference Commodity Products<sup>1</sup> shipped in the third quarter of the 2013/14 financial year continued to be higher than the increase in the price of Non-Reference Commodity Products, although this effect was less pronounced than in the first and second quarters. Reference Commodity Products were up 44% for Q3 2014 compared to Q3 2013 while Non-Reference Commodity Products were up 22% over the same period. This reflected the impact of sales contracts being priced in the first half at strong levels and shipped in Q3.

Sales volume of Reference Commodity Products shipped in Q3 2014 was 2% lower than Q3 2013. This was due to higher volume sold earlier in the year to maximise value, and some volume expected in Q3 now being contracted for shipment in Q4. Year-to-date sales volume is 3% higher than the same period last year.

Sales volume of Non-Reference Commodity Products was 13% lower as a result of a focus on the higher returning Reference Commodity Products.

Total production volume was stronger, up 21% for Q3 2014 compared to Q3 2013, reflecting the impact of the drought last year. Reference Commodity Products were up 30% and Non-Reference Commodity Products 5% lower over the same period last year. This was driven by product mix choices to maximise expected returns for Reference Commodity Products.

### New Zealand Sourced Revenue

REVENUE (NZ\$ PER METRIC TONNE)	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	% CHANGE (Q3 FY14 to Q3 FY13)
Reference Commodity Products <sup>1,2</sup>	4,154	5,174	5,967	5,914	5,981	44%
Non-Reference Commodity Products	6,129	6,531	6,931	7,073	7,499	22%

### New Zealand Sourced Volume

VOLUME (THOUSAND MT)	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	% CHANGE (Q3 FY14 to Q3 FY13)
<b>Sales Volume<sup>3</sup></b>						
Reference Commodity Products <sup>1,2</sup>	520	327	365	656	508	(2%)
Non-Reference Commodity Products	182	162	128	154	159	(13%)
<b>Production Volume</b>						
Reference Commodity Products <sup>1,2</sup>	418	80	630	761	543	30%
Non-Reference Commodity Products	150	24	196	228	142	(5%)

<sup>1</sup> Reference Commodity Products are the commodity dairy products that are used in the calculation of the Farmgate Milk Price. These are currently Whole Milk Powder, Skim Milk Powder, Butter Milk Powder, Butter and Anhydrous Milk Fat

<sup>2</sup> Manufacture of the Reference Commodity Products comprised around 75% of Fonterra's total New Zealand ingredients production in the 2013 Season

<sup>3</sup> Sales Volume includes liquid milk which is not included in the production volumes. The annual liquid milk volume for 2012/13 financial year was 94,000 MT, including DIRA milk

## Regulatory Approval to Export Infant Formula to China Granted

Fonterra has received registration by China's regulators as an exporter of finished infant formula into China. This makes the Co-operative one of the first New Zealand infant formula producers to get approval under new Chinese regulations aimed at tightening food safety standards.

The new rules that took effect on 1 May require manufacturers of infant formula to receive approval from China's Certification and Accreditation Administration (CNCA). The rules require any company exporting infant formula to have control over the entire manufacturing process, meaning that companies that outsource production must maintain significant involvement in how the formula is processed.

China is a key market and an important part of our global strategy to build and grow beyond our current consumer and advanced nutrition position. Our Annum™ infant formula range in China is now available in more than 100 physical stores and nationwide through T-mall, one of the country's top e-retailers.



## Acquisition of 4Seasons Feeds



The International Nutritionals joint venture between RD1 and Wilmar Gavilon has recently acquired the remaining 50% holding of 4Seasons Feeds Limited. 4Seasons Feeds Limited is the market leading supplier of molasses based liquid feeds, providing an important supplementary feed for New Zealand dairy cows.

This acquisition will allow the joint venture to realise a number of key strategic objectives. This includes: being a strong market leader in providing sustainable feeds; creating a national based feed

offering company; and providing opportunities for new feed offerings to Fonterra dairy farmers.

As well as purchasing a successful and profitable business, 100% ownership will create supply chain reliability and efficiencies through RD1's procurement and distribution networks.

# DAIRY COMMODITY PRICES

## GDT PRICE INDEX

↓ 1.1%

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

Fonterra volume traded at the GDT auction on 6 May 2014 was 34,699 MT.

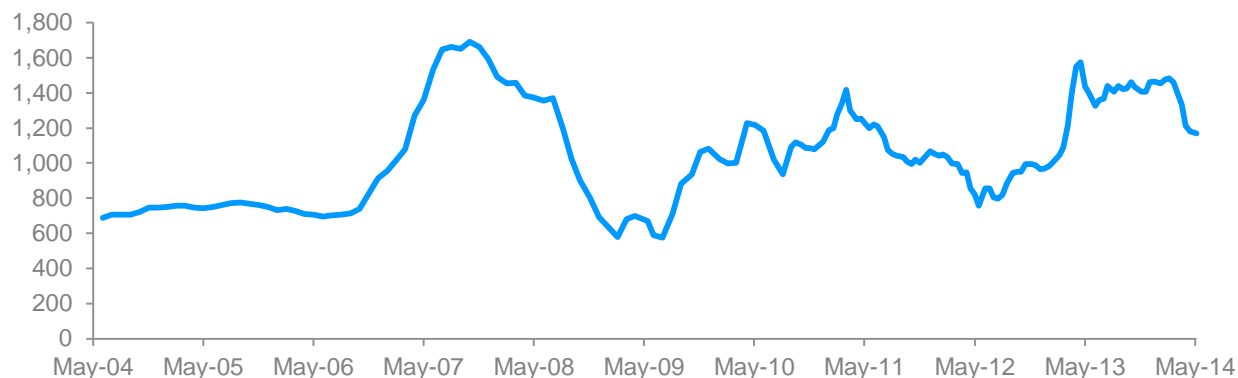
## GDT Results

	LAST TRADING EVENT (6 MAY 2014)	YEAR-TO-DATE (1 AUG 2013 TO 1 MAY 2014)
Fonterra Quantity Sold on GDT (Winning MT)	34,699	768,054
GDT Average Winning Price (USD MT/FAS)	\$3,950	\$4,763
Change in GDT Price Index over same period last year	(19%)	28%
Change in GDT Price Index from previous event	(1.1%)	n/a

Dairy commodity prices were on average 1% lower than the last trading event with an average winning price of USD 3,950 per MT. The GDT Price Index for the financial year-to-date was up 28% compared to the same period in FY2013.

Compared to the last trading event, the commodity prices that firmed included Rennet Casein (RenCas) up 6.8%, Anhydrous Milk Fat (AMF) up 2.4%, and Butter up 1.6%. The commodity prices that softened included Skim Milk Powder (SMP) down 2.3%, Cheddar down 1.8%, Whole Milk Powder (WMP) down 1.7%, and Butter Milk Powder (BMP) down 1.2%.

## GDT Price Index



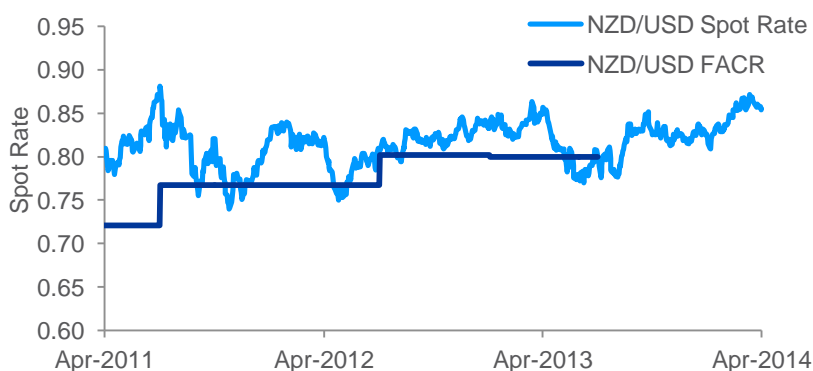
Source: GlobalDairyTrade, USDA DMN

The next trading event will be held on 20 May 2014. Visit [www.globaldairytrade.info](http://www.globaldairytrade.info) for more information

## New Zealand Dollar Trend

The chart shows the spot price of the NZD/USD rate from April 2011. The dark 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.

### NZD/USD 30 April 2011 to 30 April 2014



## 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 Minimum Shareholding requirement for a Season.

### Wet Shares

Any Shares held by a Farmer Shareholder which are required to be held in accordance with the Minimum Shareholding requirement 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

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.