



Media release

31 August 2018

FONTERRA REVISES 2018/19 FORECAST FARMGATE MILK PRICE

Fonterra Co-operative Group Limited today revised its 2018/19 forecast Farmgate Milk Price from \$7.00 per kgMS to \$6.75 per kgMS.

Fonterra Chairman, John Monaghan, said the change was in response to stronger milk supply signals coming from some of the world's key dairy producing regions.

"Over the past quarter, we have seen increased milk supply out of markets including Europe, the US and Argentina. These regions have a big influence on the supply and demand balance and therefore global prices. For example, the one per cent increase in US milk production represents just under 100 million litres of extra milk.

"At the same time, demand for whole milk powder and dairy fats is showing signs of slowing in some parts of Asia, Africa and the Middle East," added Monaghan.

Fonterra CEO, Miles Hurrell, said the weakening NZD/USD exchange rate had only partially offset the decline in global dairy prices, and it was important to give farmers a realistic assessment of the market.

"It's still very early in the season and a lot can change over the coming months. A drop in the new season Milk Price forecast will be frustrating to our farmers, but it's important we give them the facts so they can make informed decisions in their farming businesses," said Hurrell.

The timing of today's update is in line with DIRA requirements for Fonterra to review the Milk Price every three months. The Co-operative last considered the Milk Price in May.

ENDS

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About Fonterra

We're a global dairy nutrition company owned by 10,000 farmers and their families. We've built our expertise on the legacy of the thousands of farmers who've made New Zealand a world leader in dairy. With a can-do attitude and a collaborative spirit, we're a world leading dairy exporter. Our 22,000 people share the goodness of dairy nutrition with the world through our innovative consumer, foodservice and ingredient solutions brands, and our farming and processing operations across four continents.

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