



Media release

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FONTERRA REVISES FORECAST FARMGATE MILK PRICE FOR 2014/15 SEASON AND ANNOUNCES FORECAST FOR 2015/16 SEASON

Revised 2014/15 Forecast

Fonterra Co-operative Group Limited has today reduced its forecast Farmgate Milk Price for the 2014/15 season to \$4.40 per kgMS. Along with its previously announced forecast dividend range of 20-30 cents per share, the change amounts to a forecast Cash Payout of \$4.60 - \$4.70 that would be paid to a fully shared-up farmer.

Chairman John Wilson said the revised forecast reflected the reality that global commodity prices had not increased as expected.

“World markets are over-supplied with dairy commodities after farmers globally increased production in response to the very good prices paid 12-18 months ago. This supply imbalance has heightened due to continuing good growing conditions in most dairy producing regions.

“This is a tough season and we will continue to keep our farmers informed as the season draws to a close given the current volatility,” said Mr Wilson.

The forecast Farmgate Milk Price change for the current season will mean a further revision to the Advance Rate Schedule of monthly payments to farmers.

2015/16 season opening forecast Farmgate Milk Price

The Co-operative also announced today an opening forecast Farmgate Milk Price of \$5.25 per kgMS for the 2015/16 season. This does not include the forecast earnings for the 2015/16 financial year.

Mr Wilson said the forecast Farmgate Milk Price was based on Fonterra’s best view of long-term global dairy supply and demand.

“We can expect prices to recover going forward, and to see a rebalancing of supply and demand over the season. However it is more difficult this early in the season to determine exactly when this recovery will lead to a sustained price improvement,” said Mr Wilson.

Chief Executive Theo Spierings said the long-term fundamentals of global dairy demand are strong.

“Our forecast for the new season takes into account a range of factors including global milk production forecasts, the economic outlook of major dairy importers, current inventory levels and geopolitical events,” said Mr Spierings.

“Given the season we are coming out of, we are absolutely focused on improving farmer returns and driving the Co-operative’s performance,” said Mr Spierings.

The Advance Rate will begin at 70 per cent of the forecast Farmgate Milk Price, with an opening rate of \$3.66 per kgMS.

Note: currency is New Zealand dollars unless otherwise stated.

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About Fonterra

Fonterra is a global leader in dairy nutrition – the preferred supplier of [dairy ingredients](#) to many of the world's leading food companies. It is also a market leader with its own [consumer dairy brands](#) in New Zealand and Australia, Asia, Africa, the Middle East and Latin America. Fonterra is a [farmer-owned](#) co-operative and the largest processor of milk in the world. It is one of the world's largest investors in dairy research and innovation drawing on [generations of dairy expertise](#) to produce more than two million tonnes of dairy ingredients, value added dairy ingredients, specialty ingredients and consumer products for 140 markets.

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