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FONTERRA LIFTS 2013 FORECAST PAYOUT

Fonterra Co-operative Group Limited has announced a revised payout forecast range for the 2012/13 season of \$5.90 - \$6.00 before retentions for a fully shared up farmer, 25 cents up on the previous forecast range.

The Fonterra Board announced:

- a higher forecast Farmgate Milk Price of \$5.50 per kilogram of milksolids for the 2012/13 season, up from \$5.25 on the previous forecast; and
- a forecast Net Profit after Tax range of 40-50 cents per share, consistent with the recent Fonterra Shareholders' Fund Offer prospectus;
- a 40 cent increase in advance rate payments to farmers.

Fonterra is required to consider its Farmgate Milk Price every quarter as a condition of the Dairy Industry Restructuring Act (DIRA).

Fonterra Chairman [Sir Henry van der Heyden](#) said after considering farmer shareholders' cash flow requirements, and the strength of the Co-operative's balance sheet after the launch of Trading Among Farmers, the Board had also decided to lift advance rate payments to farmer shareholders.

"The immediate effect of this decision is that our farmers will have more money flowing into their bank accounts from late January when they are paid for the previous month, and that will help them with their cashflows.

"Between 1 August and the most recent GlobalDairyTrade (GDT) trading event, prices have increased by an average 17.7 per cent. While there was a drop at last week's GDT event, it has not changed our overall commodity price forecasts."

Chief Executive [Theo Spierings](#) said Fonterra's strong balance sheet meant that from a cash flow point of view the Co-operative was in a position to increase payments to farmers over the next few months without any significant risk to its financial stability.

Mr Spierings said while the outlook for any movements in the New Zealand dollar exchange rate were neutral, the impact of weather events in other markets were likely to support the lift in forecast Farmgate Milk Price.

"There has been a persistent, serious drought in the United States. That has pushed up the price of grain, which in turn affects dairy production. There are also concerns about drought in the Ukraine and Russia. In South America, extreme wetness in parts of Brazil and Argentina could also depress wheat production," Mr Spierings said.

"Given current global conditions, our forecasting anticipates global dairy prices are likely to move higher in the first half of 2013."

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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. Fonterra is also a market leader with our own [consumer dairy brands](#) in Australia/New Zealand, Asia/Africa, Middle East and Latin America.

The [farmer-owned](#) New Zealand co-operative is the largest processor of milk in the world, producing more than two million tonnes of dairy ingredients, value added dairy ingredients, specialty ingredients and consumer products every year. Drawing on [generations of dairy expertise](#), Fonterra is one of the largest investors in dairy based [research and innovation](#) in the world. Our more than [16,000 staff](#) work across the dairy spectrum from advising farmers on sustainable farming and milk production, to ensuring we live up to exacting quality standards and delivering every day on our customer promise in more than 100 markets around the world.



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