



Market Announcement

25 August 2016

FONTERRA INCREASES FORECAST FARMGATE MILK PRICE FOR 2016/17 SEASON

Fonterra Co-operative Group Limited today increased its 2016/17 forecast Farmgate Milk Price by 50 cents to \$4.75 per kgMS.

When combined with the forecast earnings per share range for the 2017 financial year of 50 to 60 cents, the total payout available to farmers in the current season is forecast to be \$5.25 to \$5.35 before retentions.

Chairman John Wilson said current global milk prices remain at unrealistically low levels, but have started to improve as global demand and supply continue to rebalance.

“Milk production is reducing in most dairying regions globally in response to low milk prices and this is bringing the world’s milk supply and demand back into balance. Milk production in the EU is now in decline and our New Zealand milk collection at this early stage is around 4 per cent lower for the year to date.

“Prices have increased on GlobalDairyTrade but the increasing NZD/USD exchange rate continues to offset some of these gains.

“We expect the dairy market to be volatile over the coming months and will continue to keep our forecast updated for our farmers as we move into the season,” said Mr Wilson.

Fonterra is required to forecast its Farmgate Milk Price every quarter under the Dairy Industry Restructuring Act (DIRA).

-ENDS-

NB: currency is New Zealand dollars unless otherwise stated

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