

**GOOD THINGS
HAPPEN WHEN WE
WORK TOGETHER.**



STRONGER TOGETHER

It's no small decision. There's a lot to weigh up when choosing which dairy company you'll supply your milk to. You'll have a number of things on your checklist: Competitive milk price, dividend payments, secure demand, business support and access to industry expertise to name a few.

Of course, the best decision is an informed decision, which is why we'd like to show you what the Fonterra Co-operative can bring to the table. We believe we have a lot to offer – and together we can achieve great things.



Dairy for life



OUR STORY

Your success. How we're delivering the goods.

We've been in this together with generations of Kiwi dairy farmers since 1871. Today, our Co-op is in every town and in every family fridge. We fly the flag for New Zealand in more than 100 countries and deliver dairy nutrition to more than 1 billion people across the world.

We became a Co-op so that we could support each other and negotiate the best possible prices for our milk and products. Our Co-op's strength lies in the fact we are a business owned and controlled by our farmers, with a common goal to produce the best milk and secure the best returns, while maintaining our commitment to sustainability and our communities.

We are proud of what our Co-op achieves every single day. We work hard to maximise the value of our farmers' milk and drive the highest possible total payout back to our farmers.

We partner with the local communities in which we live and operate, respecting the environment and producing the brands and products that our customers and consumers enjoy.

We're committed to being the New Zealand Co-operative that best delivers on the opportunities that exist in the rapidly changing world we live in.

It's what drives us every single day, on our farmers' behalf.



STRATEGY

Our Co-op has a unique strength in our supply chain which connects the world's highest quality milk from our traditional pasture-based model directly to consumers around the world.

We also have the right strategy to maximise the value of this milk for our farmers. Every day, we aim to maximise the total pay-out for our farmers, and grow their return on investment.

Growing populations and their need for healthy, nutritious and delicious dairy foods are fuelling demand for our milk. We capture this demand for our farmers by turning more of their milk into higher-returning products, and doing it faster than before.

AMBITION

We aim to be a \$35 billion business by making a positive difference to the lives of two billion people by 2025. For our farmers, the promise is that we maximise their wealth and enhance the value of their Co-op.

DIRECTION

Our investment in innovation and advanced technologies, and our ongoing focus on creating sustainable, long-term value have become the foundation on which we continue to build the strength of our Co-op.

PERFORMANCE

We are continually focused on delivering strong business performance, to bring greater returns for our farmers.

Our new product development and strong customer relationships in our key markets are capturing more and more of our full potential.

Every year, we convert more and more of our farmer's milk into higher-returning products, through our ingredients solutions and Consumer and Foodservice business.

Our recent investments in capacity mean we can now process milk through the peak profitably, and have the flexibility to optimise product mix during the season.



STRATEGY

Your success. How we're delivering the goods.

The future for dairy remains positive because of forecast global population growth, and demand growth in emerging markets.

We are one of New Zealand's only truly global businesses focused on growing demand, and being the leading dairy provider in our eight strategic markets: New Zealand, Australia, Malaysia, Chile, China, Sri Lanka, Indonesia and Brazil.

We complement our New Zealand milk pool with milk sourced offshore to capture value across both our Ingredients business and higher-value Consumer and Foodservice products.

INTERNATIONAL MARKET ACCESS

Our international milk sources, such as Chile and Australia, provide access to a secure supply of fresh dairy and ingredients products to meet our consumers' needs in these markets.

By having milk sources around the world, to complement the dairy ingredients we export out of New Zealand, we can provide liquid milk for our Consumer and Foodservice businesses that are manufactured in our strategic markets.

Milk produced locally can also help us compete within markets that are either highly protected by trade tariffs on products sourced out of New Zealand, or not economical to export to from New Zealand due to distance.

These international milk pools will become even more important as global demand is estimated to grow to nearly 465 billion litres by 2020. To put that in perspective, even with production improvements driven by innovation and technology, New Zealand will only produce 25 billion litres of milk per year.

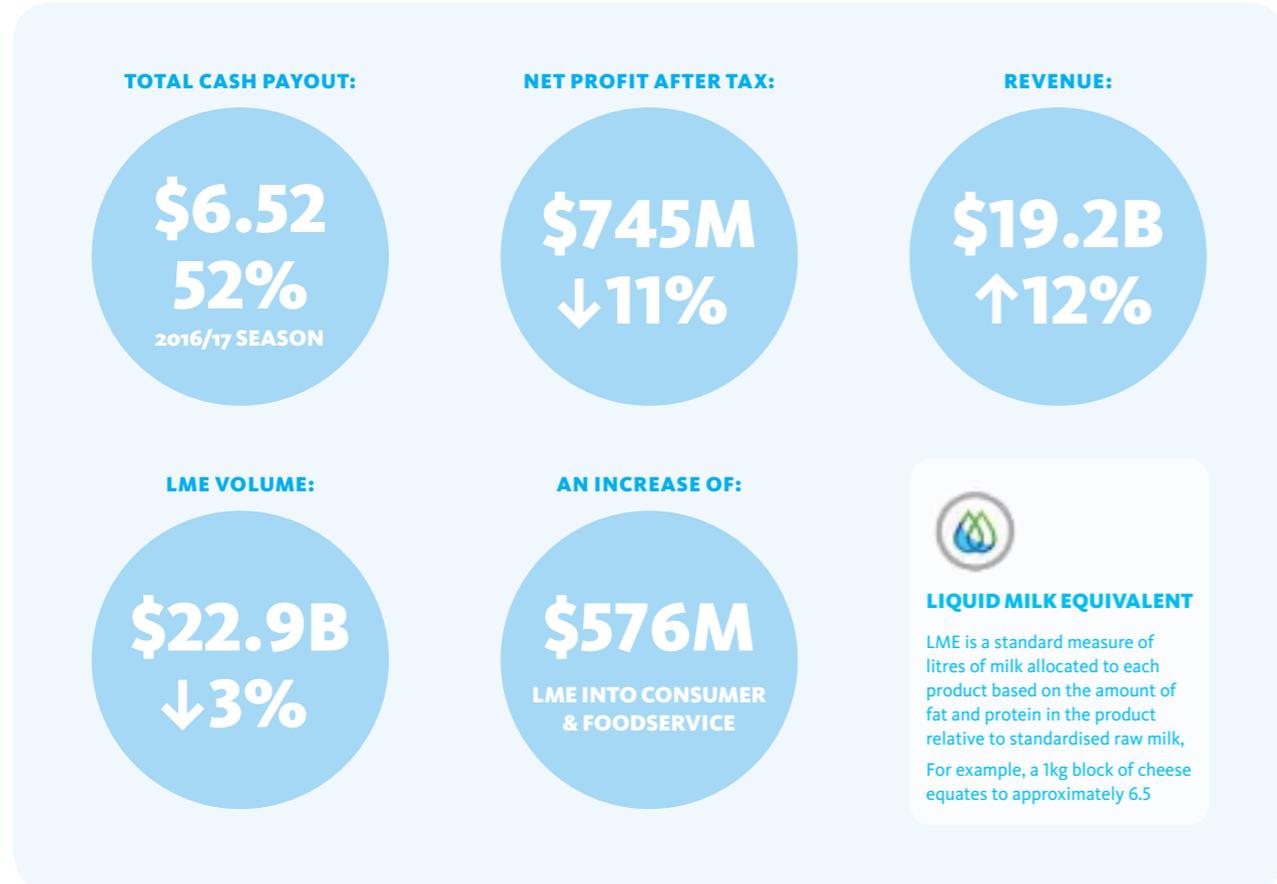
FOCUSSING ON HIGH MARGIN GROWTH

Fonterra matches demand growth to the best source of supply and exports it to the world. This enables our development of higher margin consumer brands and foodservice opportunities, which flows back to our New Zealand farmer shareholders through the dividend.

STRONGER RETURN ON INVESTMENT

The Co-op's number one priority is, and always has been, to maximise the total payout to our farmers. We do that by being the world's most efficient producer of high quality ingredients at scale, and by shifting more of our farmers' milk into higher-value Consumer and Foodservice products that help to satisfy the world's demand for dairy.

Our strategy and efforts are certainly paying off. With strong returns, our Farmgate Milk Price has grown 52% on last season and we're reinvesting in initiatives to drive growth and additional value.



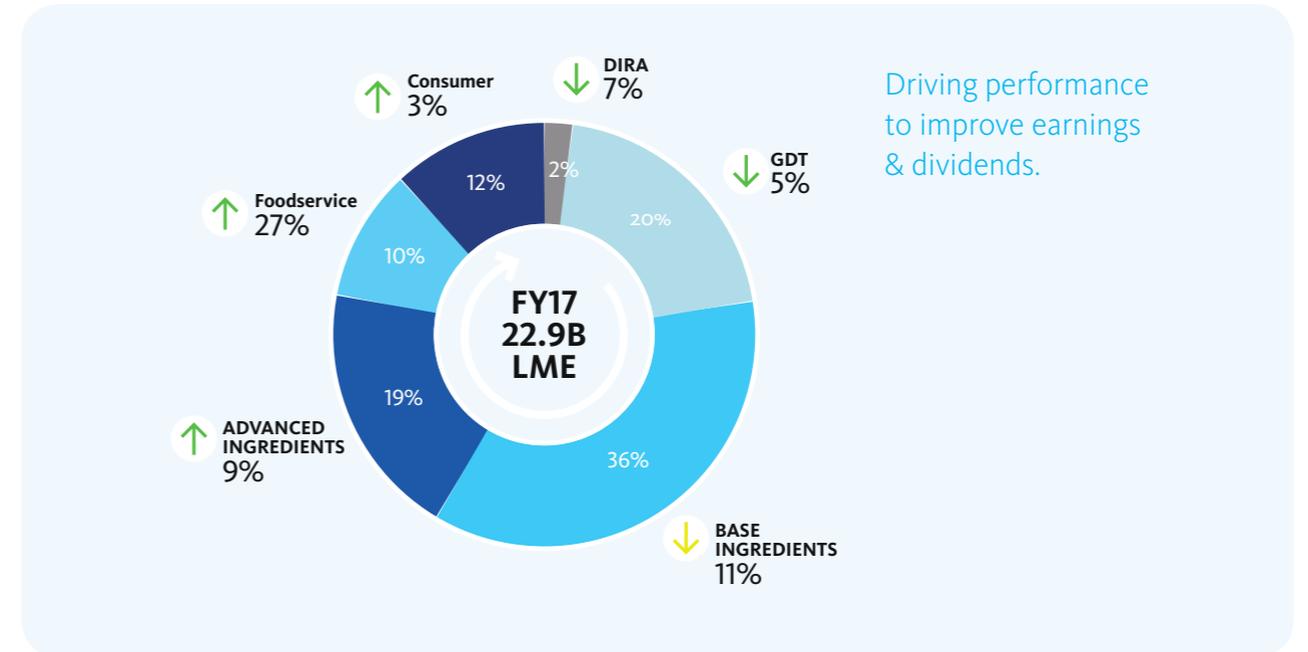
MAKING MORE OF OUR MILK

We've set our sights firmly on value creation and building a Co-op with the strength and capability to deliver strong returns. Higher-value products bring in higher profits. That's why we're continuing efforts to shift our milk into higher value Advanced Ingredients, Consumer and Foodservice products such as medical grade lactose, mozzarella, lactoferrin and whey isolate proteins.

In the past financial year, we've made great progress here with 1 billion LMEs shifted into our Consumer, Foodservice and Advanced Ingredients businesses.

DRIVING GREATER RETURNS

By shifting LMEs into Foodservice and Consumer brands, as well as selling highly specialised advanced ingredients with high margin ingredients, we're boosting earnings and dividends for farmers. This has the added benefit of insulating us from price fluctuations on the global dairy market.

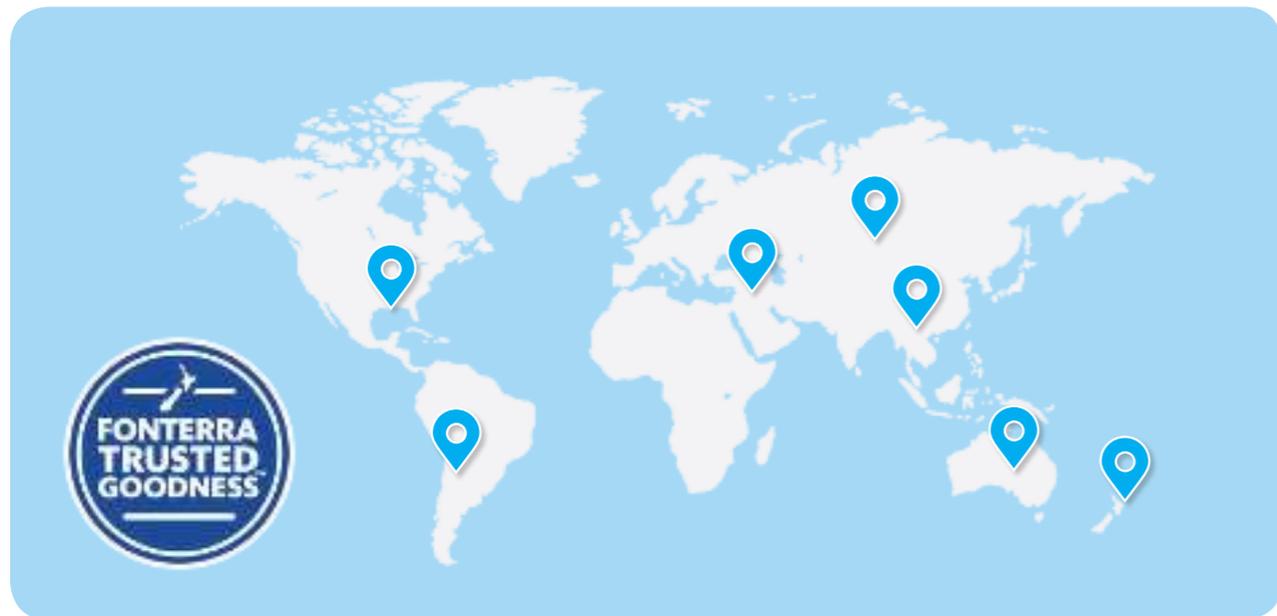


Our traditional pasture-based model produces some of the best milk in the world, both in quality and nutrition, at a time when consumers are increasingly willing to pay a premium for food that has been produced in a socially and environmentally responsible way. Our Trusted Goodness™ quality seal, launched last year, provides our customers with that assurance.

YOUR MILK IS GOING PLACES

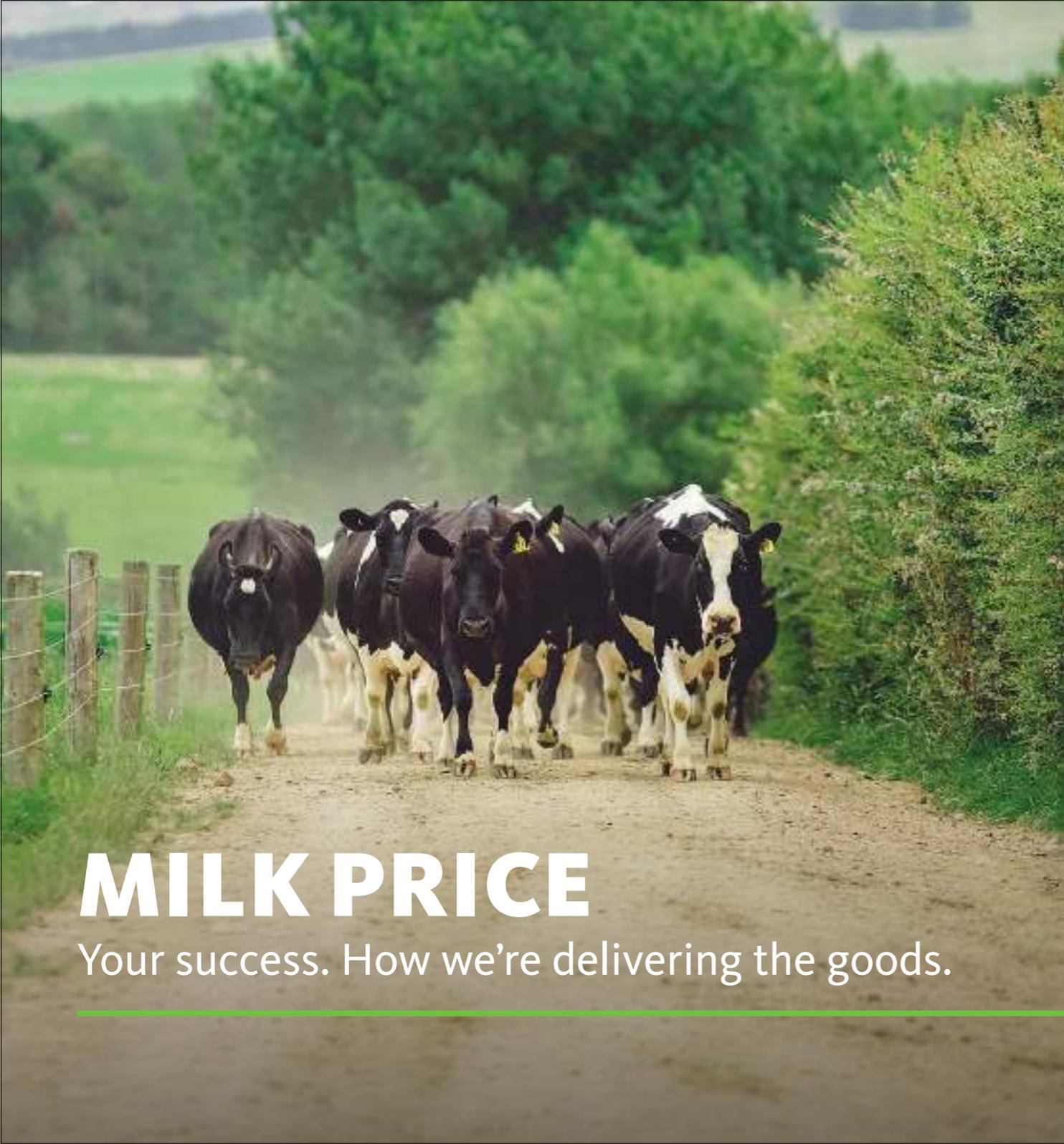
We trade around the globe and connect with more than 1 billion consumers every year, and we're well on our way to making a difference in the lives of 2 billion people by 2025.

Fonterra's global reach means we have more options for your milk than anyone else. And that means greater security. Our ability to make a full range of ingredients and consumer products allows us to readily adapt to changing world demands.



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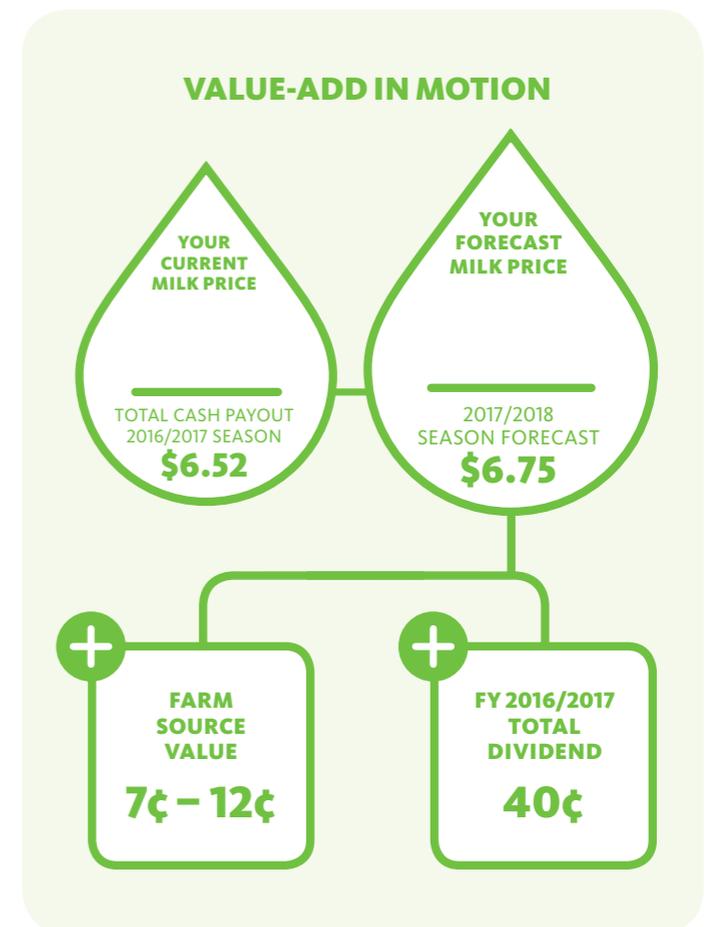
MILK PRICE

Your success. How we're delivering the goods.

When you're with the Co-op, you can rest easy knowing that we're straight up when it comes to milk price. You won't find any extra conditions lurking on the side-lines. No so-called 'incentives' required to reach your headline Farmgate Milk Price.

The truth is we go out of our way to ensure our milk price is as high as possible, and calculated by a fair and transparent model. It's calculated independently and overseen by the Commerce Commission. After all, our farmers are our owners, and the purpose of the Co-op is to secure the highest possible returns, while maintaining our commitment to sustainability and our communities.

On top of the milk price, there's your dividend – 40c per share was paid for the 2017 financial year. Then the added bonus is what Farm Source brings to your bottom line. Through a mix of rewards dollars, in-store deals and partner discounts, you can expect value of 7-12c per kgMS, which can really help lower operating costs.





FARM SOURCE

We're in this together.

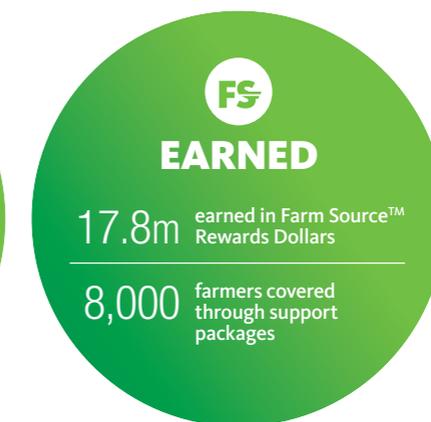
Farm Source brings the strength of the Co-op to the regions where our farmers live and work. It provides a powerful support role for day-to-day operations on dairy farms.

Our Farm Source regional teams bring together a powerful blend of specialist dairy knowledge and product expertise to ensure the best possible solutions for your individual farm.

You're probably familiar with Farm Source stores. This is where the Co-op's considerable buying power comes into play, helping farmers lower the cost of inputs and improve profitability. Our stores also offer a range of complimentary facilities where farmers and the wider dairy community can meet to do business or just catch up over a coffee.

CLAIM YOUR REWARDS

Being part of something big has its advantages. With exclusive access to in-store deals, partner discounts and rewards dollars on farm essentials, the Farm Source Rewards programme can easily add up to a value worth tens of thousands of dollars for Fonterra farmers.





OUR PEOPLE

Good help is certainly not hard to find when you're a Fonterra farmer. Whether it's on farm, over the phone or in store, you have a seasoned team of Farm Source specialists ready to call on when you need.

Our people live and work in the same farming communities as you, so you can be sure they'll have a genuine understanding of local requirements.

Each regional team is equipped to assist farmers with a wide variety of dairy matters – anything from business updates, to milk quality queries to advice on council consents. And in the instance your request is beyond our scope, our extensive network means we can quickly put you in touch with people in the know.

Your Farm Source support:

- Regional Head
- Area Managers
- Business Development Managers
- Sustainable Dairy Advisors
- Technical Sales Reps
- Food Safety Managers
- 0800 Service Team
- Stores Team
- On-Farm Vat Assets



TOOLS & SERVICES

Smart technology for smarter farming.

We believe modern businesses need modern business tools. That's why whether you want to view production stats, manage finances, estimate milk payments, update nitrogen reports, check on tanker arrival or simply order supplies, you can do so from anywhere, on practically any device – thanks to our comprehensive suite of digital tools and services.

Today over 9,000 Fonterra farmers rely on our apps alone for their day-to-day operations. Farm Source stands alone in resources it dedicates to this increasingly important dairy support role. This ensures our digital tools are constantly evolving to provide our farmers with the information they need to manage their dairy business, and help them meet the rapidly changing needs of dairying in New Zealand.



SUSTAINABILITY

We're building a better tomorrow, today.

Sustainability is the defining topic for today's dairy industry and we're committed to helping our farmers meet new regulatory requirements and consumer demands. Not only does the Co-op embrace responsible dairying, it has become core to our Trusted Goodness™ brand – and the worldwide demand for our products.

Now we're taking the next step, leveraging our people and technology with the Tiaki Sustainable Dairying programme.

Tiaki combines Fonterra's sustainability-based tools and services to help farmers navigate this rapidly evolving area. With Sustainable Dairying Advisors based in each region, the programme provides access to specialised regional knowledge, expertise and professional services. It's an exclusive benefit of being part of the Co-op.

"If I had to do it myself the enormity of the task would just seem too much... It was good to be able to work with a trusted entity, like Fonterra. It gave me confidence that the Farm Environment Plan was going to be done properly, done right, and with people I know".

– Garry Reymer, Waikato Farmer

Some of our Tiaki offerings include:

- Farm Environment Plans
- Consent Support
- Nitrogen Reporting and Scenario Modelling
- Irrigation Scheme Support
- Effluent Management
- Waterways Management including riparian planning



COMMUNITY

We're here for all of us.

Fonterra has always strived to be a good corporate citizen. You've likely seen our involvement in programmes like Milk for Schools, Kickstart Breakfast and Grass Root Funds, to name a few.

But first and foremost we're there for our farmers when they need us – particularly in tough times. Our Emergency Response Teams (ERT) are often first on the scene when our farms are affected by natural disasters. Staffed by fully trained Fonterra employees, the ERT has played many vital roles over the years, including both the Christchurch and Kaikoura earthquakes –

and more recently the Edgcumbe, and Taieri floods.

Of course, we're here for farmers in better times too. You'll find most of our stores offer facilities where you can catch up with staff and other farmers. In fact, we encourage you to drop by for a cuppa and a friendly chat sometime.



