

Francis Reid



**La strategia di Fonterra in azione -
la creazione di una cooperativa di
rilevanza globale**

**Fonterra's Strategy in Action - Building a
Globally Relevant Co-operative**



Dairy for life

Fonterra's Strategy in Action – Building a Globally Relevant Co-operative

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Confidential to Fonterra Co-operative Group

The background of the slide is an abstract composition of several overlapping, curved bands of blue. The colors range from a very dark, almost blackish-blue at the top to a light, sky-blue at the bottom. The bands are separated by soft, white-to-light-blue gradients, creating a sense of depth and movement. The overall effect is clean, modern, and professional.

Fonterra's Strategy

Fonterra at a glance



Farmer owned coop

10,700 farmer shareholders

17 billion litres in NZ

5 billion litres outside NZ

2.6 million metric tonnes ex NZ

76 processing plants

74,000+ delivered orders p/a

100+ countries

18,000 staff globally

Fonterra's ambition



To build a globally relevant Co-op which makes a difference in the lives of 2 billion people by 2025



Fonterra business platforms



Milk Supply



Foodservices



Consumer brands



Ingredients

Global brands aligned to key markets

STRATEGIC PLATFORMS GLOBAL BRANDS STRATEGIC AND LEADERSHIP MARKETS



- 1 **Optimise** NZ milk
- 2 **Build and grow** beyond our current consumer positions
- 3 **Deliver** on Foodservice potential
- 4 **Grow** our Anlene™ business
- 5 **Develop** leading positions in paed & maternal nutrition
- 6 **Selectively invest** in milk pools

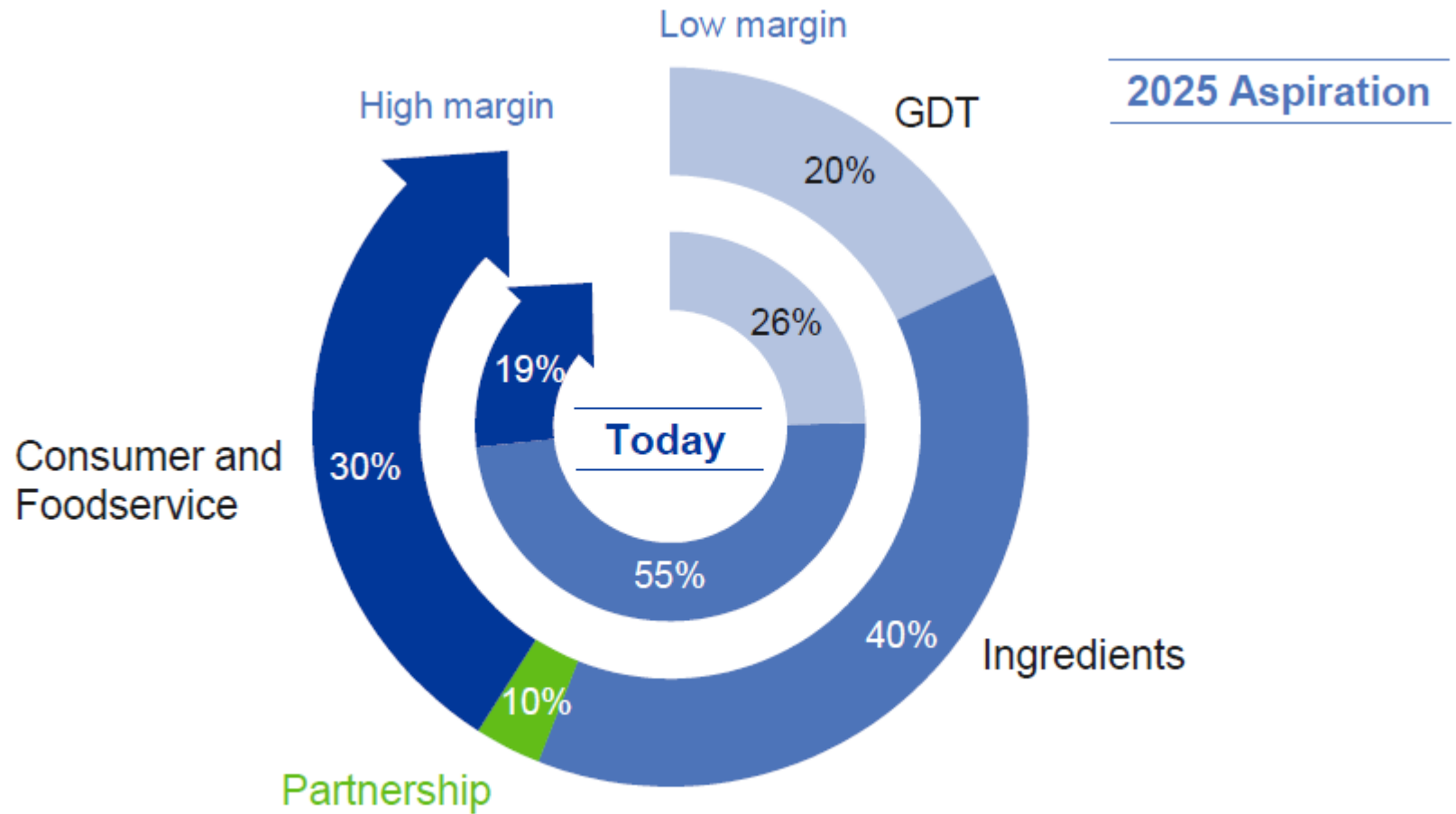


Leadership

Strategic



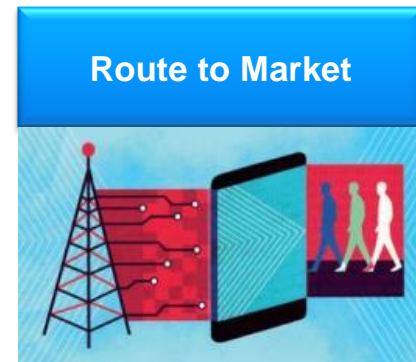
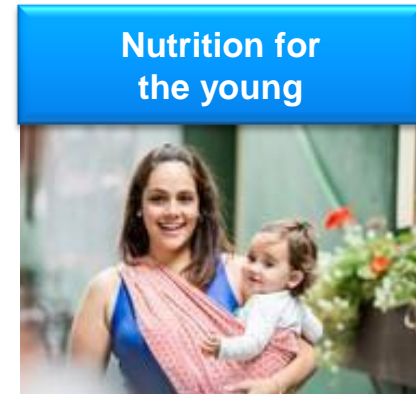
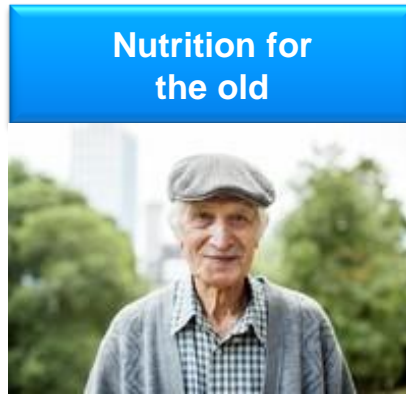
Ingredients will remain an important part of Fonterra's portfolio but we are moving more milk into higher margin products



The background of the slide is an abstract composition of several overlapping, curved bands of blue. The colors range from a very dark, almost blackish-blue at the top to a light, sky-blue at the bottom. The bands are separated by thin white lines, creating a sense of depth and movement. The overall shape is roughly rectangular but with curved edges, particularly on the right side.

New Zealand in Global Dairy

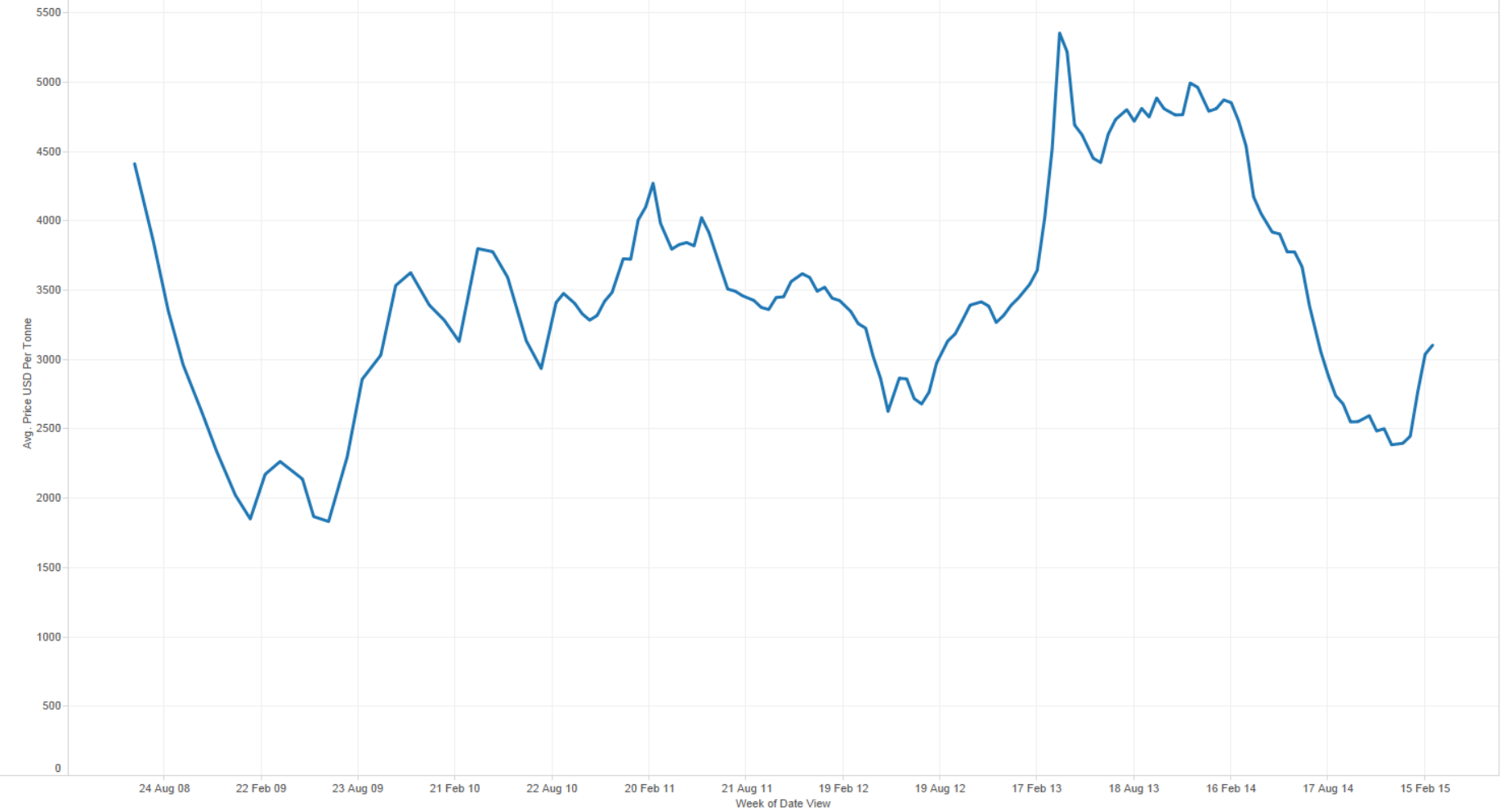
Consistent consumer trends influencing our business



Short-term volatility in global markets



GDT Weighted Average Prices (2006-2015)

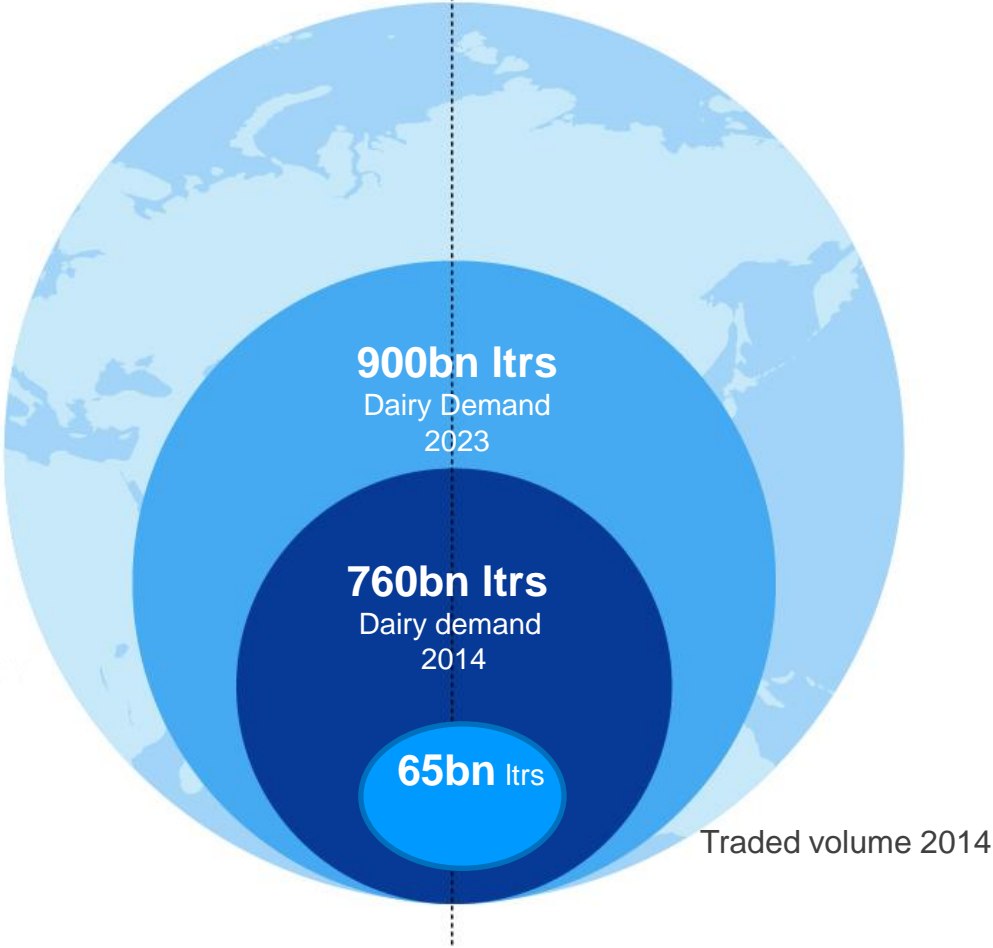


Long term global outlook for dairy demand remains strong



DEVELOPED NATIONS

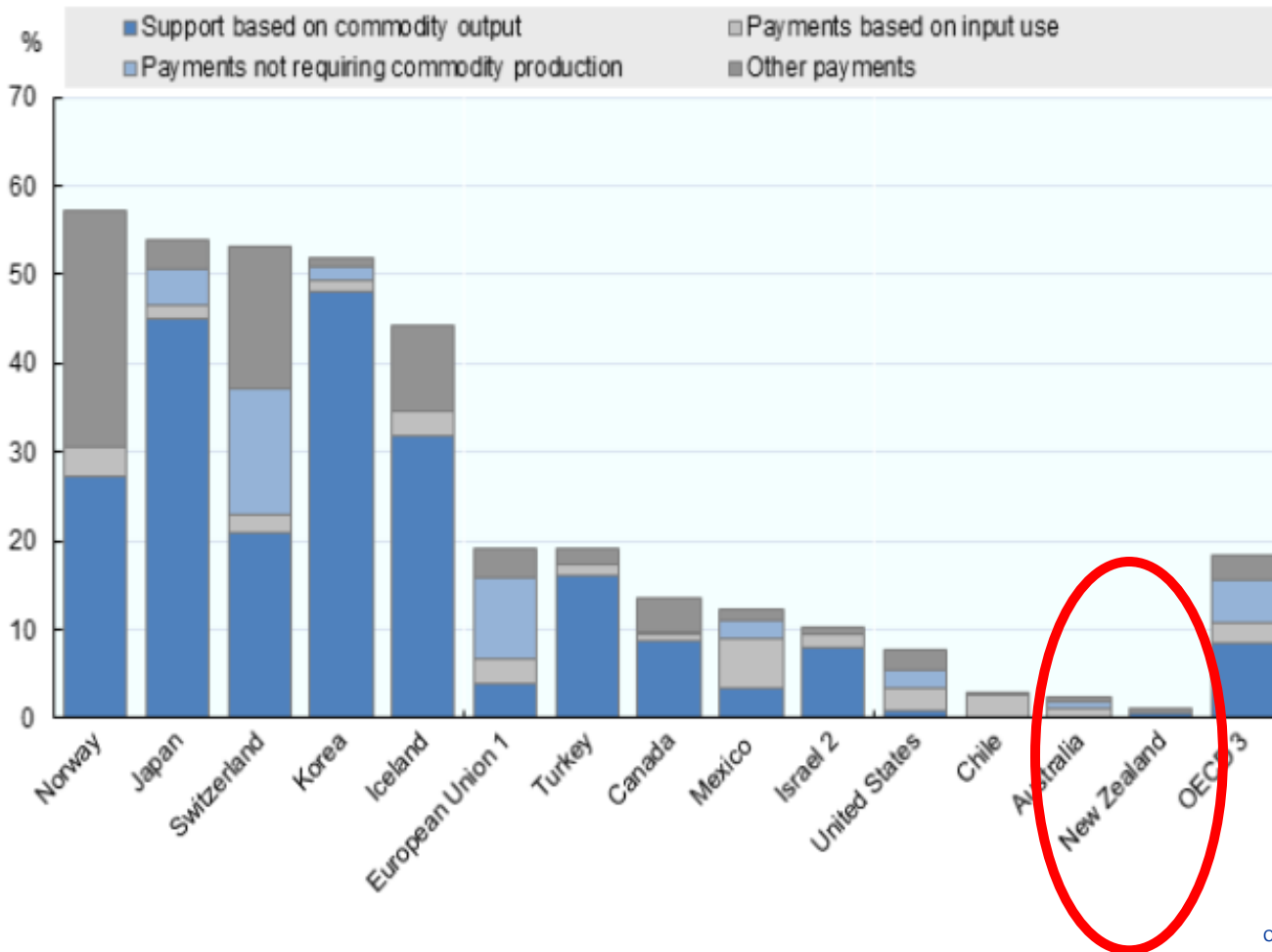
EMERGING ECONOMIES



New Zealand agricultural producers receive no subsidies



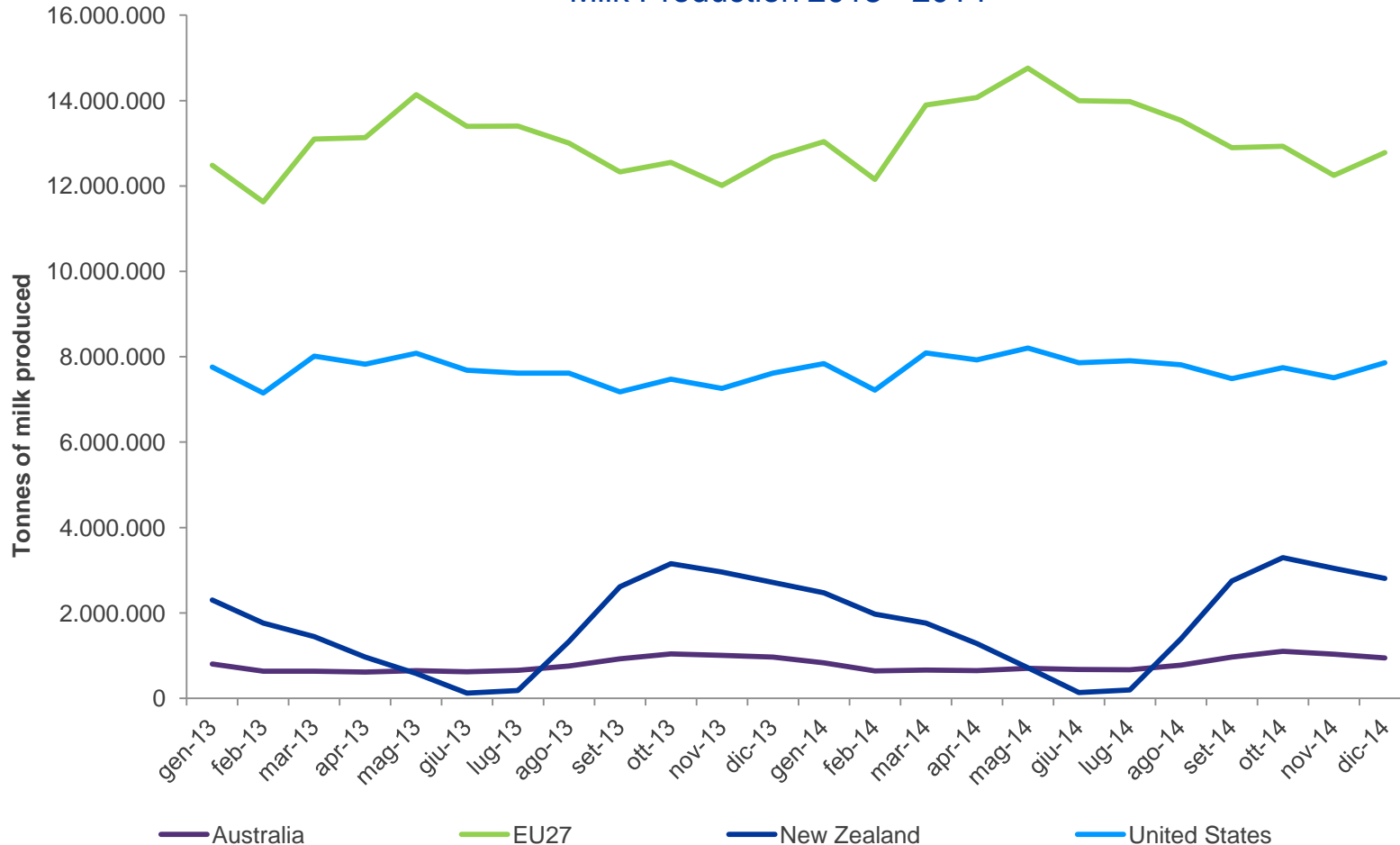
Producer Support Estimate by country over 2011-13 (% of gross receipts)



New Zealand only produces 2-3% of the world's milk



Milk Production 2013 - 2014



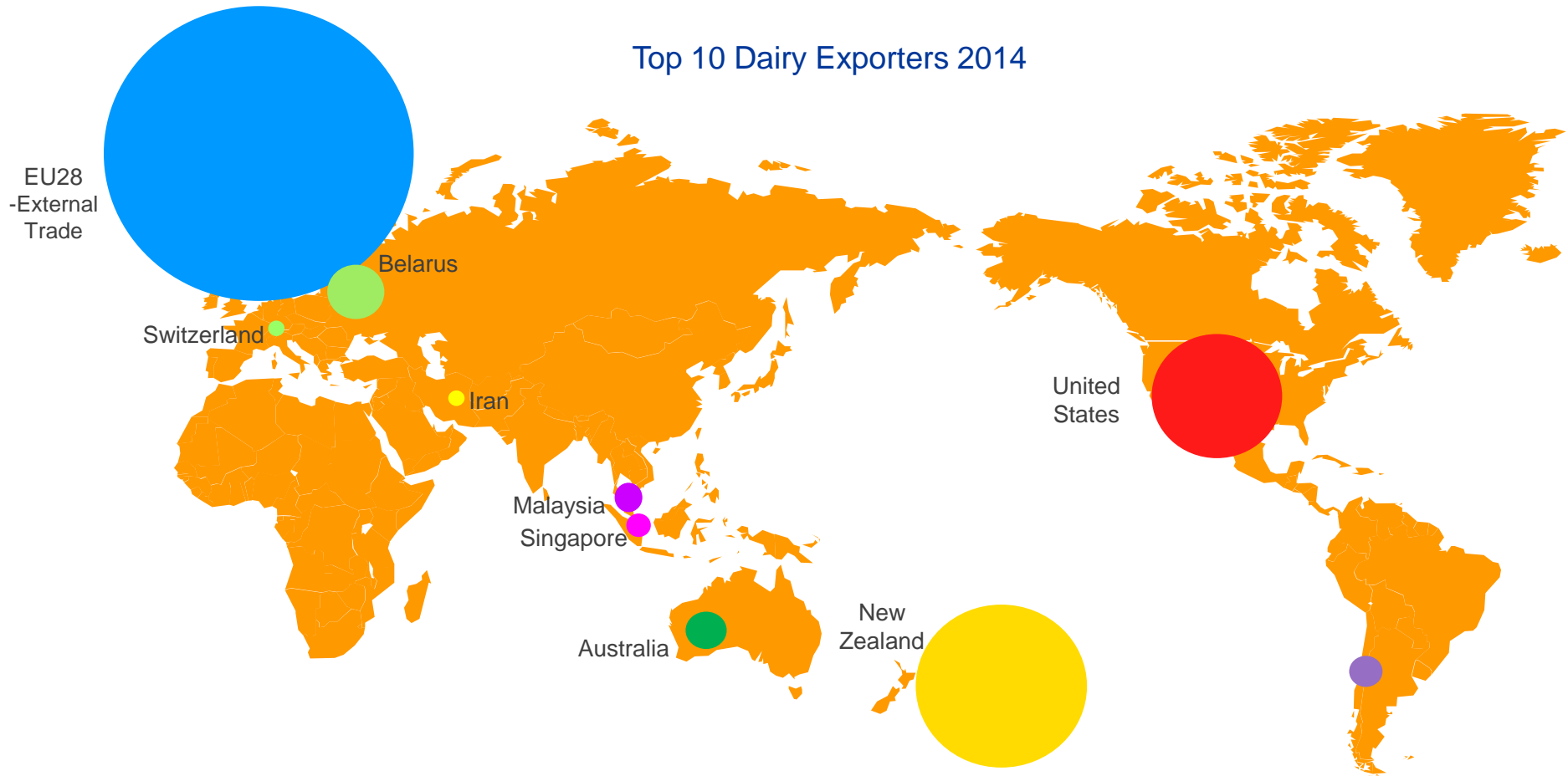
In 2014 New Zealand produced 23.7 billion litres milk, compared to 148.9 billion litres in the EU.

Germany and France each produce more milk than New Zealand.

However New Zealand is a major dairy exporter



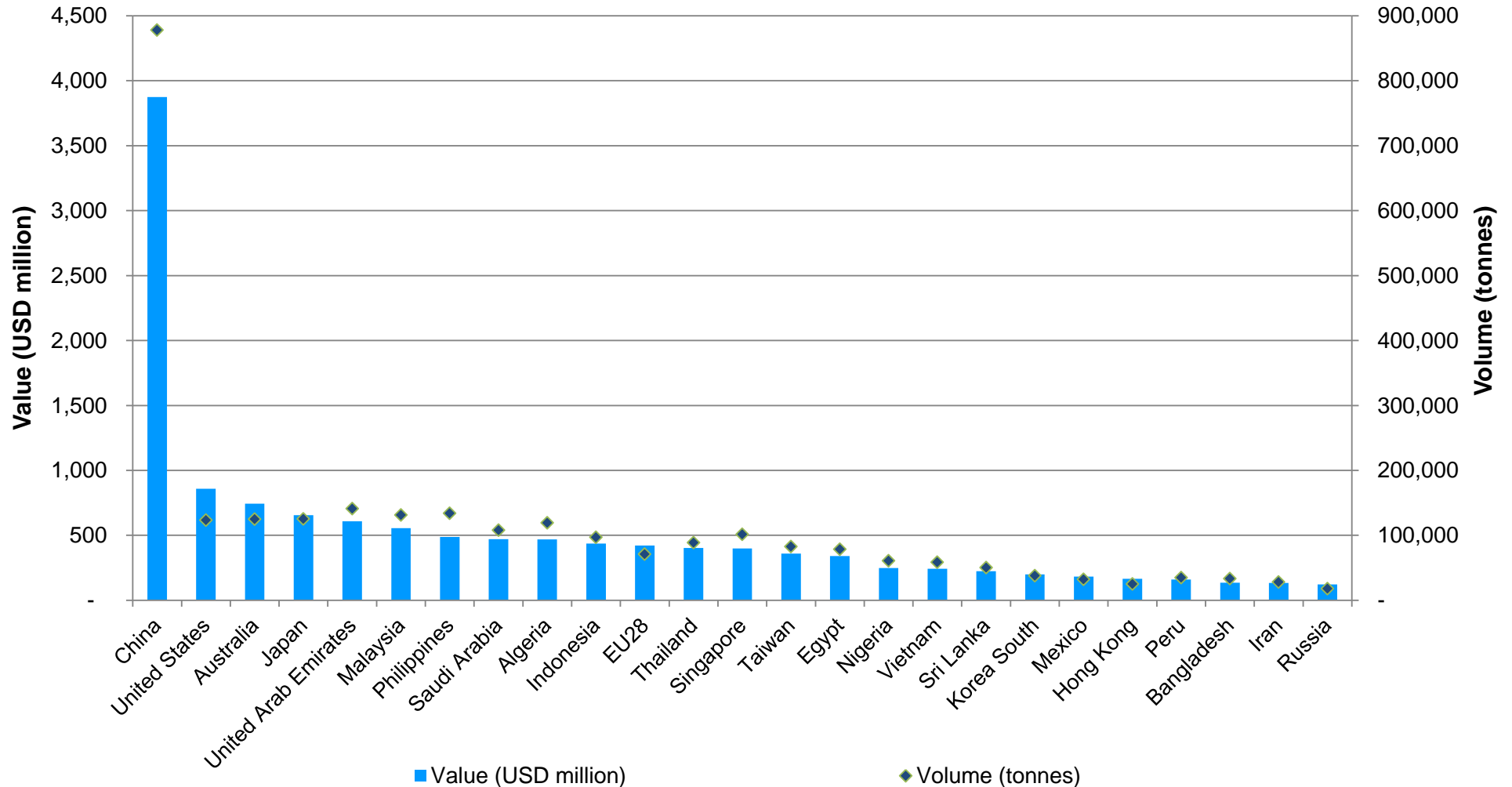
Top 10 Dairy Exporters 2014



Current demand for New Zealand dairy products is led by China



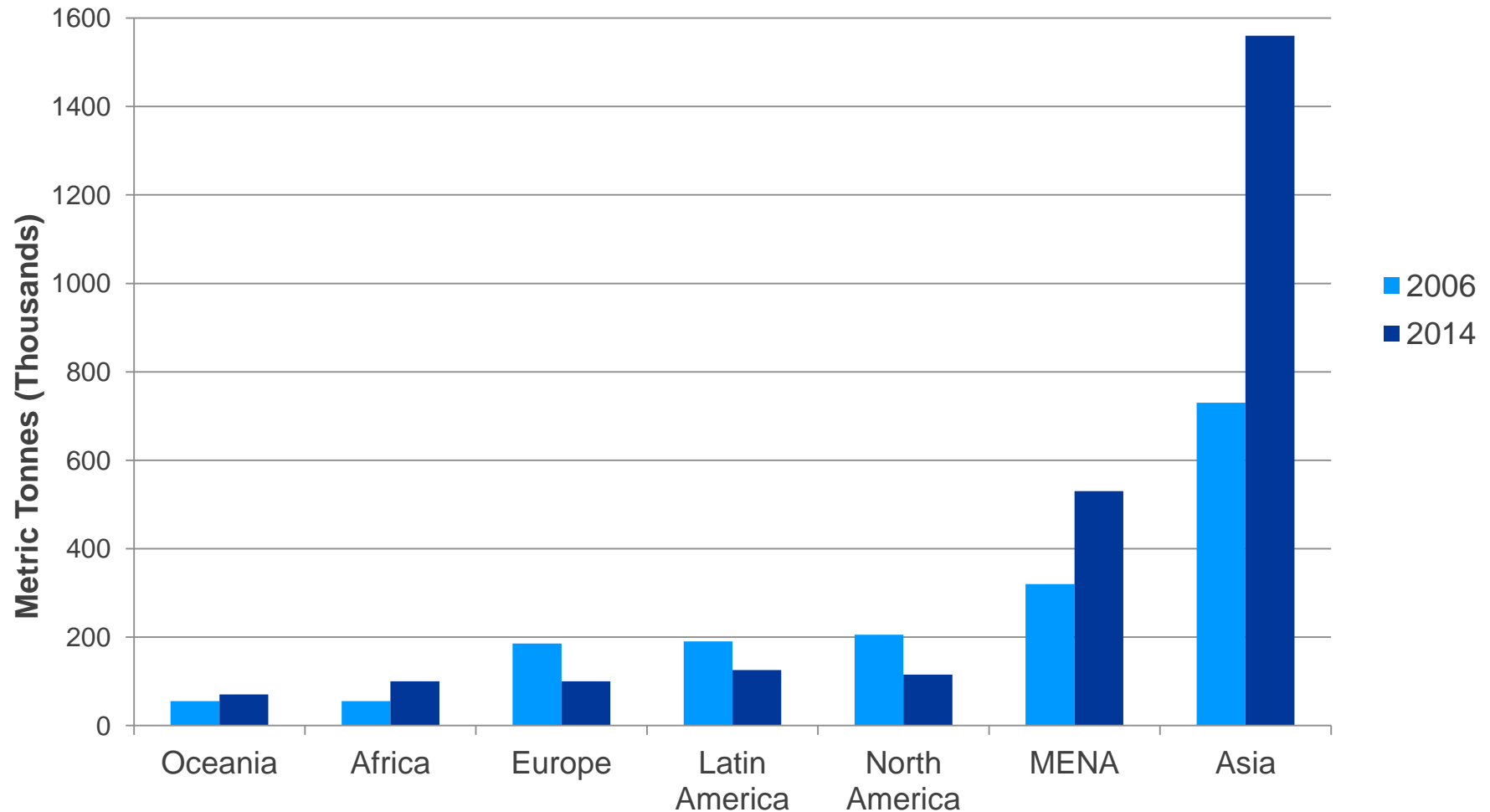
New Zealand Dairy Exports (2014)
Top 25 Destinations



Significant shift in NZ's dairy exports: Asia and MENA are now the drivers



New Zealand Dairy Exports (2006 & 2014)



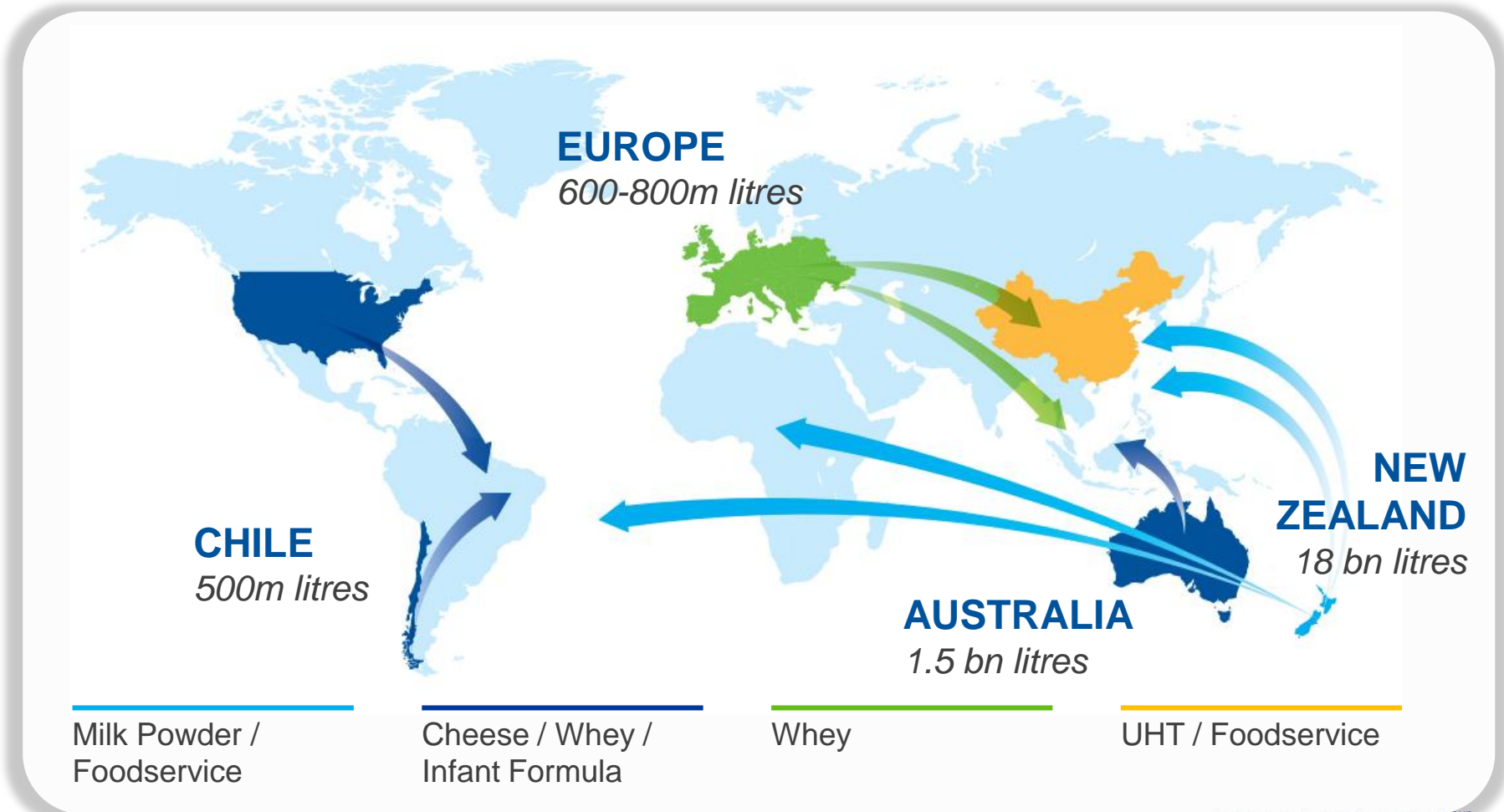
The background of the slide is a solid blue color with several large, overlapping, curved shapes in various shades of blue, creating a dynamic, layered effect. The shapes flow from the top left towards the bottom right.

Fonterra Strategy and Manufacturing Footprint

Demand growth coming from net importing countries



Global multi-hub locations



Australia:

- Grow infant formula and cheese footprint
- Fonterra and Beingmate JV to acquire Darnum



Europe:

- A-ware JV – whey plant commissioned
- Dairy Crest alliance for distribution of specialty ingredients underway



China:

- Purchase of 18.8% of Beingmate complete
- Abbott – antitrust approval received from Chinese government



New Zealand:

- Increasing processing capacity and optionality to meet global demand

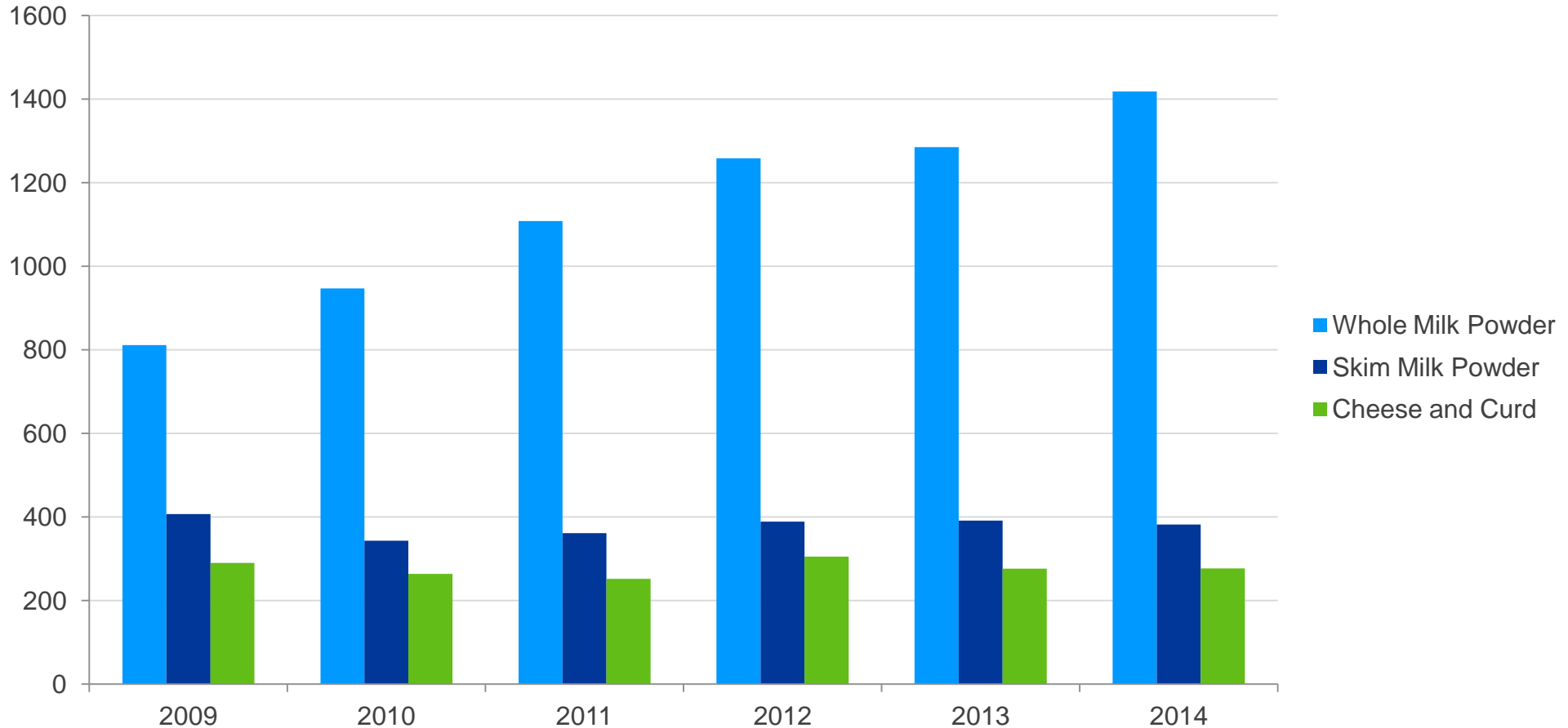


Multi-hub strategy in action

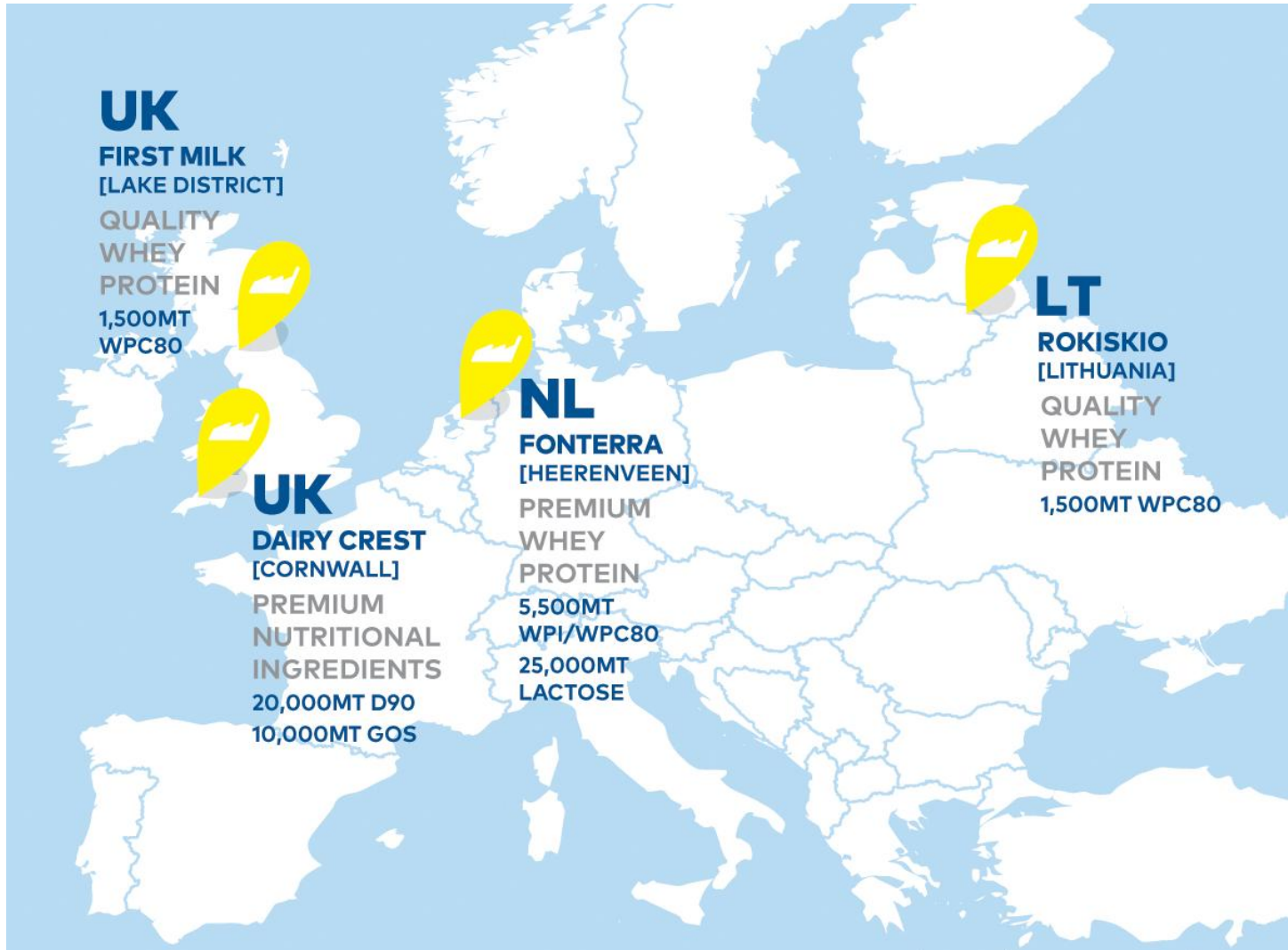
New Zealand whey exports are constrained by limited cheese growth



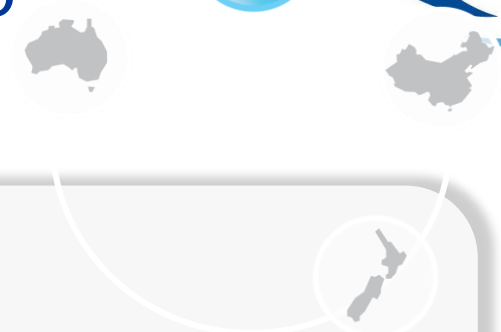
New Zealand Dairy Exports – selected commodities ('000s MT)



Fonterra's developing whey manufacturing footprint in Europe



Europe – A-ware strategic partnership



WHEY PLANT IN NETHERLANDS

- Can process liquid whey into
 - 5,000 MT of whey protein and
 - 25,000MT of lactose per year
- Used in high-value paediatric, maternal and sports nutrition products



PROGRESS

March 2013	October 2014	December 2014	April 2015
Agreement with A-ware signed	Commissioning started	First production	Produced 4,000 MT of product

MEA & CIS is a large and important geographical area for Fonterra



- Offices
- Sites

- The region has three distinct sub-regions, each with diverse needs.
- Fonterra MEA & CIS is headquartered in Dubai and operates across 77 countries.
- Product range includes dairy commodities such as SMP, WMP, Cheese, Cream and protein products and a value-added ingredients business .
- Fonterra’s consumer brands business is also based in Dubai and includes the Anchor and Anlene brands.



Fonterra is invested in the region for the long-term



Saudi New Zealand Milk Products

- Saudi New Zealand Milk Products is a site in Dammam, Saudi Arabia and is one of the largest multi-product processing sites in Saudi Arabia.
- The site has five processing lines, packing Anchor branded milk powders, producing processed cheese in jars and recombined feta-style white cheese, and cutting natural cheddar cheeses into foodservice and delicatessen formats.



Joint Venture: Clover Fonterra Ingredients

- Since 2005 Fonterra has partnered with Clover, South Africa's largest dairy company. (1600m litres p.a)
- Clover markets dairy ingredients and foodservice products throughout South Africa.



Some concluding thoughts...

- Fonterra aims to build a globally relevant Co-op which makes a difference in the lives of 2 billion people by 2025
 - Ingredients will remain an important part of Fonterra’s portfolio
 - We are moving more milk into higher margin products
 - Shift in NZ’s dairy exports – Asia and MENA are now the drivers
 - Multi-hub strategy to match demand growth to the best source of supply
- The long term dynamics for dairy are positive. The short term environment is very tough for our farmers.
- Volatility will never go away, but it can be managed through market based tools.
- OECD: “Payments to mitigate income risks should not crowd out market-based risk management tools and farmers’ own management of normal business risks”.
- Open markets with limited barriers to trade increases resilience to market shocks such as the Russia import ban.



Thank you

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