

Farmgate Milk Price Statement

Pūrongo Utu Hoko Miraka Te Mātāpuna



For the season ended 31 May 2025



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2025 Season Farmgate Milk Price

The primary purpose of this Statement is to help Fonterra farmer shareholders, unitholders in the Fonterra Shareholders' Fund and other interested parties better understand the Farmgate Milk Price.

The Farmgate Milk Price is the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply¹.

It is calculated in accordance with the Farmgate Milk Price Manual (the Manual). The Manual is maintained by the Fonterra Board in accordance with the Dairy Industry Restructuring Act 2001 (DIRA) and the Fonterra Constitution.

The 2025 season Farmgate Milk Price of \$10.16 per kgMS is:

- The Aggregate Farmgate Milk Price of \$15.336 billion; divided by
- New Zealand milk supplied to Fonterra in the 2025 season of 1.509 billion kgMS.

The Aggregate Farmgate Milk Price is calculated as revenue less costs. Revenue assumes:

- The entire volume of milk collected is processed into commodity specifications of the five Reference Commodity Products (RCPs) which are Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP).²
- The RCPs are sold in USD on and off GDT.
- USD sales revenue is converted into NZD at exchange rates achieved by Fonterra.

Costs comprise:

- **Cash Costs:** costs of collecting raw milk, efficiently manufacturing the five RCPs, delivering finished product to New Zealand export ports, and selling and administration expenses.
- **Capital Costs:** depreciation of fixed assets, an appropriate return on investment including on working capital, and corporate tax.
- **Additional Commodity Milk Payments and Standard Supply Adjustments:** adjustments for milk quality issues and additional payments or deductions for milk not supplied on standard terms, to the extent these would apply to the Notional Milk Price Business (NMPB).³

Numbers in this Statement have been rounded and, as a result, some tables may not exactly total or sum to 100%.

¹ This price may differ from the "farm gate milk price" published in accordance with the Dairy Industry Restructuring (Raw Milk) Regulations 2012 due to the way "farm gate milk price" is defined in those Regulations and the impact of Fonterra's fixed milk price offers.

² Most of the milk supplied over the past decade in New Zealand to Fonterra and its competitors used to manufacture commodity dairy products has been used to manufacture milk powders. As returns from the sale of milk powders and their by-products represent the marginal returns that would drive the price of milk in a competitive market in New Zealand, the Farmgate Milk Price is based on these products.

³ Additional Commodity Milk Payments are payments for milk supplied other than on standard terms of supply where it would be appropriate for the NMPB to source that milk for conversion into RCPs. Examples of these payments include the portion of Winter Milk premiums that would be payable by the NMPB and discounts for contract milk. Standard Supply Adjustments arise from adjustments to payments for milk supplied under Fonterra's standard terms of supply, such as where milk quality demerits have been applied.



2025 Season Farmgate Milk Price CONTINUED

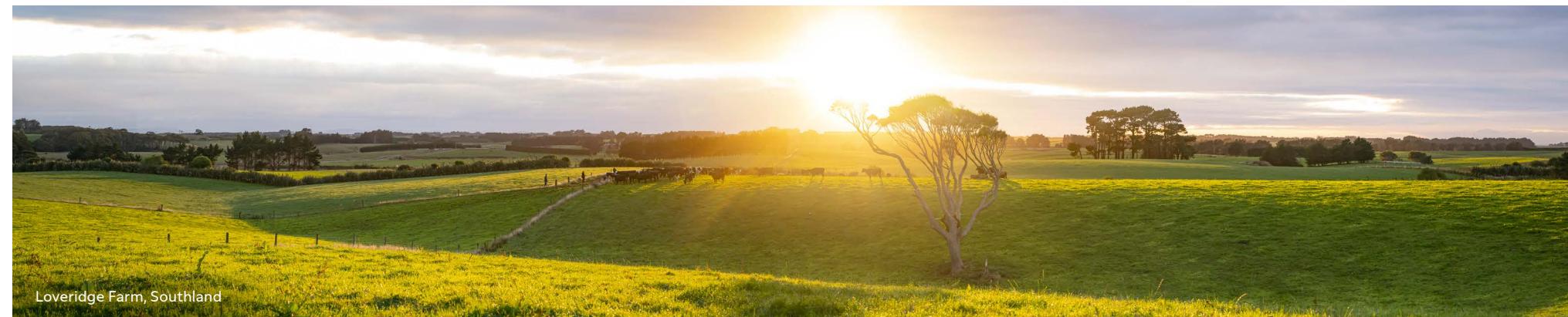
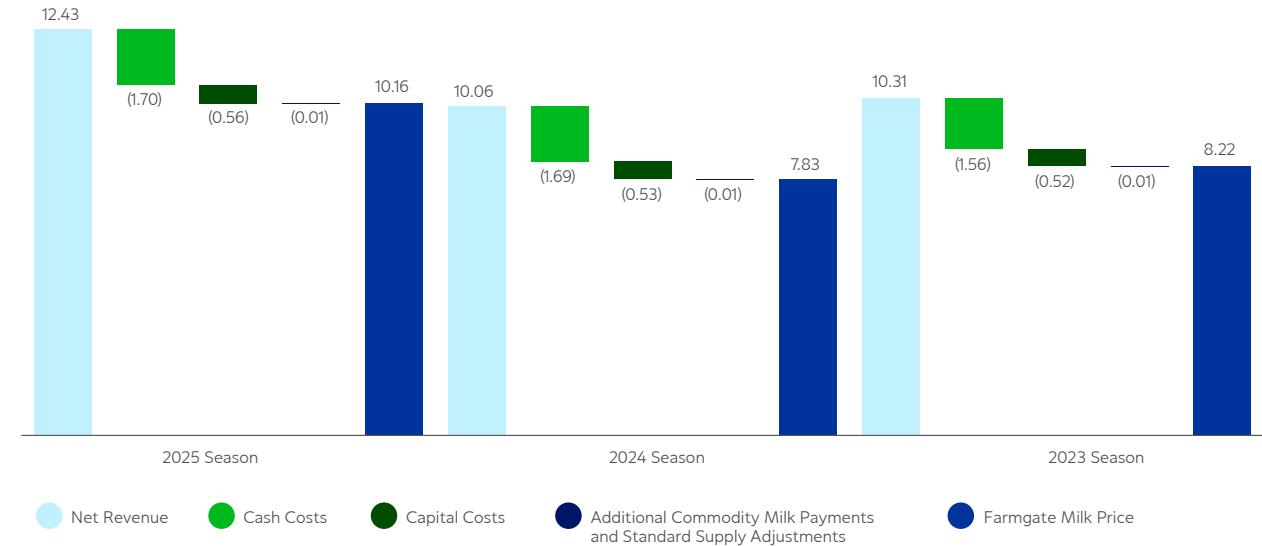
Figure 1 shows that changes in revenue are the most significant driver of the movements in the Farmgate Milk Price between seasons.

Revenue for a given season is a function of the volume of milk collected, the products that milk is manufactured into, the prices at which that product is sold, and the exchange rate at which the USD receipts from sales are converted back to NZD. Costs also move season on season, but will generally not be anywhere near as significant a factor in moving the Farmgate Milk Price.

The following sections provide more detail on revenue, costs and drivers of change between seasons.

Figure 1: Changes in the Farmgate Milk Price between seasons

\$ per kgMS



2025 Season Farmgate Milk Price CONTINUED



Tiaki-Jack & Rachel, Bay of Plenty

Table 1 shows the summary Farmgate Milk Price calculation for the last three seasons.

Lactose is shown in Table 1 as a deduction from Farmgate Milk Price Revenue.

Table 1: Farmgate Milk Price summary

SEASON	2025 \$ MILLION	2024 \$ MILLION	2023 \$ MILLION
Farmgate Milk Price Revenue	19,406	15,374	16,159
Lactose	(652)	(570)	(879)
Net Revenue	18,754	14,805	15,279
Farmgate Milk Price Cash Costs	(2,564)	(2,490)	(2,314)
Farmgate Milk Price Capital Costs	(841)	(786)	(775)
Additional Commodity Milk Payments and Standard Supply Adjustments	(13)	(12)	(8)
Aggregate Farmgate Milk Price	15,336	11,516	12,182
Million kgMS	1,509	1,471	1,483 ⁴
Farmgate Milk Price calculated under the Manual (\$ per kgMS)	10.16	7.83	8.22

⁴ Fonterra and its suppliers experienced significant disruptions to milk supply during and subsequent to significant weather events in the 2023 season. Total milk paid for was 1.483 billion kgMS compared to 1.480 billion of kgMS collected and available for manufacture into product.

Farmgate Milk Price Revenue

Farmgate Milk Price Revenue uses a combination of actual Fonterra results and key assumptions:

- 1.509 billion kgMS of milk actually supplied to Fonterra during the 2025 season.
- All milk supplied is converted into the five RCPs based on Fonterra's actual mix of those products.
- Sales volumes are assumed to reflect Fonterra's actual shipments of RCPs.
- Selling prices reflect relevant prices achieved by Fonterra for RCPs sold on and off GDT.

Milk supply, production and sales volumes

Figure 2 shows the relationship between:

- Milk collected during a season (the light blue line). This shows very little milk is supplied in June and July and that supply peaks in late October.
- Volume of products manufactured from that milk (the dark blue line).
- When that product is sold (the green line). There is typically a lag of between one to three months between when milk is collected and manufactured into RCPs and when those RCPs are sold.

Sales of product manufactured in the 2025 season started in August 2024 and will be complete by the end of October 2025.

Revenue is recognised when sales are invoiced, which is at the time of shipment. Sales prices are always struck before the month of shipment. Figure 3 shows the average lag between when prices are struck and when products are shipped. This lag matches Fonterra's actual average lag for relevant sales.

Figure 2: Timing of supply, production and sales volumes

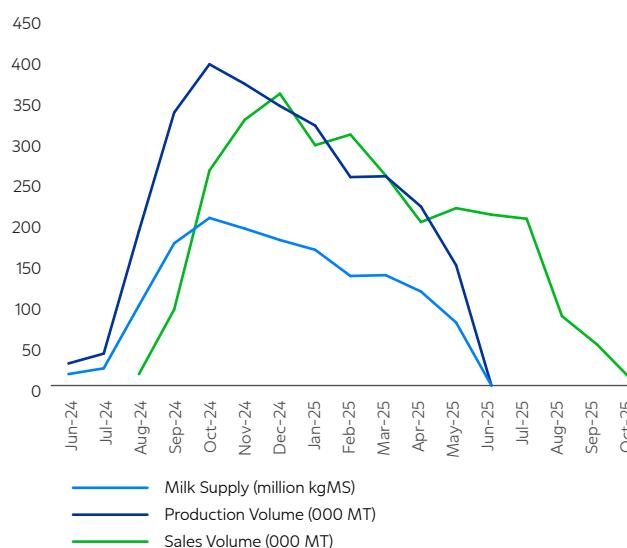


Figure 3: Average lag between when prices were struck and shipment



Farmgate Milk Price Revenue

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Prices

The Farmgate Milk Price uses weighted average monthly prices achieved by Fonterra on sales of RCPs which satisfy the following criteria:

- Only arm's length sales at current market prices to customers in contestable global markets can be included. Sales to Fonterra subsidiaries are excluded.
- Only sales contracted by Fonterra between one and five months before shipment are included.
- Off-GDT sales are only included when they are of commodity products with similar specifications to products sold on GDT.

In the 2025 season, off-GDT sales accounted for 36% of the sales used to inform the Farmgate Milk Price, contributing to an increase of 11 cents per kgMS compared to excluding these sales. This proportion has remained relatively consistent, with off-GDT sales accounting for 34% of the Farmgate Milk Price calculation in the 2024 season, similarly resulting in an increase of 11 cents per kgMS.

Table 2 shows weighted average selling prices for each RCP for the last three seasons. It shows that weighted average USD selling prices per metric tonne (MT) were 20.7% higher for the 2025 season than last season.

Table 2: Weighted average USD contract price⁵

WEIGHTED AVERAGE PRICE (USD) PER MT	2025	2024	2023	2025/2024 % CHANGE	2024/2023 % CHANGE
WMP	3,755	3,089	3,392	21.5%	(8.9%)
SMP	2,842	2,610	3,242	8.9%	(19.5%)
Butter	6,959	5,479	5,072	27.0%	8.0%
AMF	7,156	5,797	5,381	23.4%	7.7%
BMP	3,345	2,530	3,137	32.2%	(19.3%)
				20.7%	(7.7%)

Lactose

Lactose is contained in the raw milk supplied and additional lactose is used as an ingredient in the production of WMP, SMP and BMP. The NMPB manufactures greater quantities of these commodities than Fonterra, and therefore has greater lactose requirements to achieve a product composition in line with internationally recognised standards.

The Farmgate Milk Price assumes this further lactose is purchased on global markets.

Table 3 shows volume and average purchase prices of lactose over the past three seasons.

Table 3: Purchased lactose and price

SEASON	2025	2024	2023	2025/2024 % CHANGE	2024/2023 % CHANGE
Purchased Lactose (000s MT)	376	370	364	1.7%	1.6%
Average Price (USD per MT)	1,052	951	1,590	10.6%	(40.2%)
Total Lactose Purchases (USD million)	395	351	579	12.5%	(39.3%)

⁵ Average shipment prices include an allowance for lower prices received for downgrade product. These are products that do not meet standard manufacturing specifications, some of which may only be suitable for stock feed.

Farmgate Milk Price Revenue CONTINUED

Impact of NZD/USD foreign exchange rate movements

The primary objectives of hedging are to increase the visibility and certainty of the forecast Farmgate Milk Price throughout the season by reducing and smoothing the impacts from volatility in the NZD/USD spot exchange rate. The increased visibility and certainty supports a higher level of advance rate payments throughout the season relative to being unhedged.

Fonterra enters into foreign exchange hedge contracts over an 18 month period to hedge forecast USD exposures that arise from RCPs being sold in USD. The first 20% of hedges are entered into eighteen months out from when USD sales proceeds are forecast to be received, and increase progressively to 100% two months out from the forecast USD cash receipt.

Figure 4 demonstrates that the strategy of layering hedging contracts over an 18-month period smooths the monthly conversion rates relative to the NZD/USD spot exchange rate, and that these conversion rates reflect historic spot rates on a lagged basis. Typically, when the spot rate is rising, the average hedge rate tends to be lower than the average spot rate. Conversely, when the spot rate is falling, the average hedge rate is generally higher than the average spot rate. This figure also illustrates the conversion rates for future periods, taking into account the hedging in place as of 31 July 2025.

The average conversion rate, average NZD/USD spot rate and the Farmgate Milk Price impact of hedging for the 2010 to 2025 seasons are shown in Table 4.

Figure 4: Average monthly conversion rate from hedging compared to average monthly NZD/USD spot exchange rate

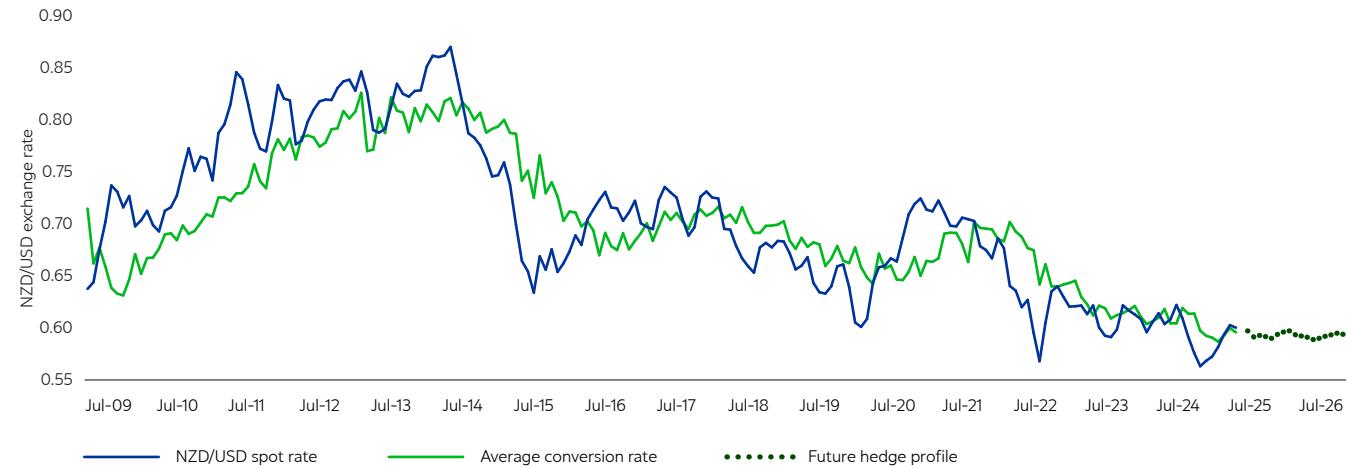


Table 4: Impact on the Farmgate Milk Price of Fonterra's hedging, relative to not hedging

SEASON	2010	2011	2012	2013	2014	2015	2016	2017
Average Hedged Rate (NZD/USD)	0.6661	0.7184	0.7706	0.7986	0.8086	0.7882	0.7082	0.6924
Average Spot Rate (NZD/USD)	0.7137	0.7879	0.8023	0.8214	0.8396	0.7329	0.6820	0.7137
Farmgate Milk Price impact (\$ per kgMS)	0.55	0.88	0.32	0.22	0.42	(0.50)	(0.21)	0.28
SEASON	2018	2019	2020	2021	2022	2023	2024 ⁶	2025
Average Hedged Rate (NZD/USD)	0.7074	0.6905	0.6638	0.6677	0.6884	0.6357	0.6120	0.5988
Average Spot Rate (NZD/USD)	0.7014	0.6697	0.6375	0.7067	0.6574	0.6192	0.6084	0.5836
Farmgate Milk Price impact (\$ per kgMS)	(0.08)	(0.26)	(0.38)	0.53	(0.56)	(0.26)	(0.06)	(0.34)

⁶ The average spot rate and the Farmgate Milk Price impact for the 2024 season differ from those disclosed in the 2024 Farmgate Milk Price Statement, as forecast exchange rates at 31 July 2024 have been replaced with actual exchange rates.

Farmgate Milk Price Revenue

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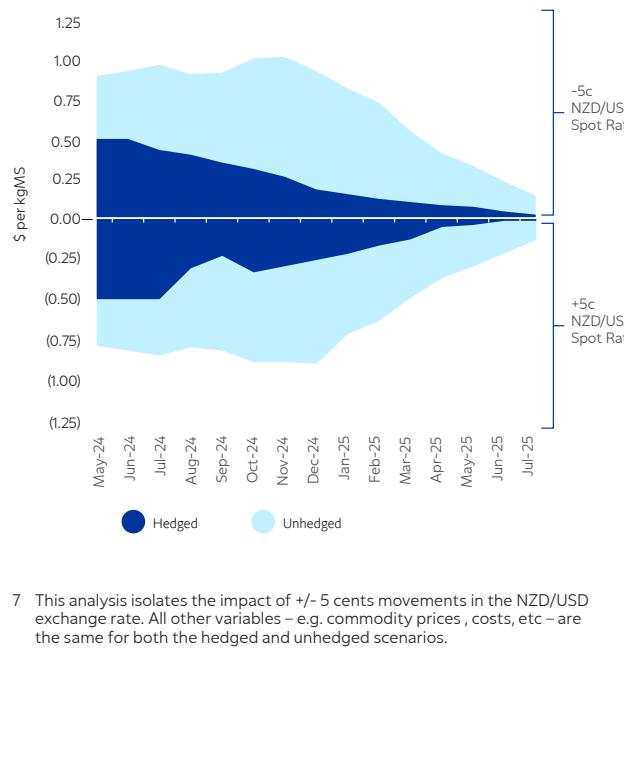
Figure 5 illustrates how hedging increases the visibility and certainty of the forecast Farmgate Milk Price throughout the season relative to not hedging foreign exchange volatility. The figure shows the sensitivity of the forecast Farmgate Milk Price at each month-end during the 2025 season with hedging executed as per Fonterra's policy to a scenario with no hedging in place, where both assume a +/- 5 cent movement in the exchange rate for the remainder of the season. The range under the hedged scenario starts the season significantly narrower than the unhedged range, and reduces more quickly throughout the season, which supports the payment of higher advance rates earlier than would be the case if the exposure was less hedged or unhedged altogether.

As at 31 July 2025, Fonterra had hedged approximately 65% of the net forecast USD cash flows related to the 2026 season Farmgate Milk Price. If the remaining 35% of the forecast USD cash flows were to be hedged at the 31 July 2025 spot rate of 0.5898, and if actual and forecast USD cash flows were equal, the average NZD/USD conversion rate for the 2026 season would be 0.5927.

As an indication of the remaining sensitivity of the 2026 Farmgate Milk Price to future NZD/USD exchange rate movements, if the remaining forecast USD exposures were hedged at rates:

- 5 cents higher than the 31 July 2025 spot rate, the average conversion rate would be 0.6134.
- 5 cents lower than the 31 July 2025 spot rate, the average conversion rate would be 0.5678.

**Figure 5: Comparison of ranges for the 2025 season
Milk Price hedged vs. unhedged for NZD/USD⁷**



⁷ This analysis isolates the impact of +/- 5 cents movements in the NZD/USD exchange rate. All other variables – e.g. commodity prices , costs, etc – are the same for both the hedged and unhedged scenarios.



Farmgate Milk Price Cash Costs

Farmgate Milk Price Cash Costs reflect:

- Fonterra's actual collection costs, and supply chain costs determined by reference to Fonterra's actual costs.
- Costs of operating modern plants capable of processing the same volume of milk Fonterra collects, but only manufacturing the five RCPs. These assume plant operating parameters consistent with manufacturers' specifications and Fonterra's per unit costs, and include the full range of overhead costs associated with running these plants.
- Overhead and selling costs that would be incurred by a business selling the five RCPs from New Zealand. These are determined by reference to Fonterra's actual costs for undertaking those activities.

Figure 6 and Table 5 summarise the major categories of cash costs and movements between the 2024 and 2025 seasons.

Movements between the 2024 and 2025 seasons were due to:

- \$50 million of volume-related cost increases, primarily because of the higher quantity of milk collected.
- \$39 million of inflationary increases, particularly affecting milk collection, energy, staff, and packaging costs.
- \$49 million of structural cost decreases, most significantly attributable to a decrease in packing gas usage in powders, and the reclassification of certain IT-related amortisation costs as a depreciation expense, which are now separately accounted for in capital costs (see page 11).
- \$35 million of non-recurring cost increases, with the most significant contributor relating to the assumption that, like Fonterra, the NMPB replaces its core information system with an updated version of SAP. This upgrade is a multi-year project, with the replacement assumed to be completed in the 2028 season.

Figure 6: Sources of movements in average cash costs

\$ per kgMS

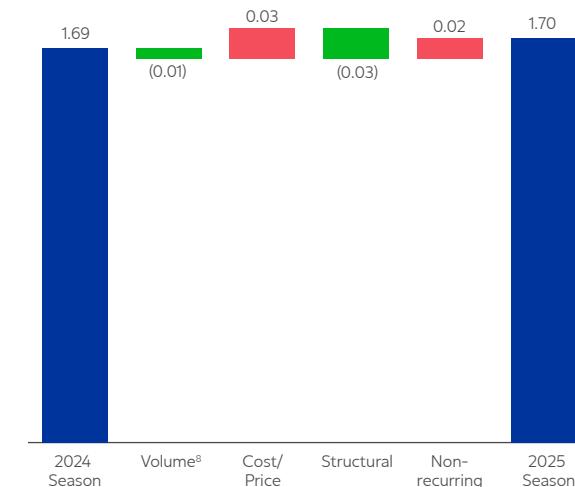


Table 5: Summary of movements in cash costs

\$ MILLION	2024	VOLUME ⁸	COST/PRICE	STRUCTURAL	NON-RECURRING	2025	% CHANGE COST/PRICE	TOTAL % CHANGE
Sales costs	118	3	3	-	-	124	2.7%	5.3%
Variable manufacturing and supply chain costs	952	26	10	(56)	-	931	1.0%	(2.2%)
Fixed manufacturing (including repairs and maintenance)/site overheads and supply chain costs	527	-	11	27	-	565	2.1%	7.3%
Collection costs	427	21	12	-	-	459	2.7%	7.5%
Other costs	467	-	3	(20)	35	484	0.6%	3.8%
Total Cash Costs	2,490	50	39	(49)	35	2,564	1.6%	3.0%
% Movement		2.0%	1.6%	(2.0%)	1.4%			

⁸ The 1 cent per kgMS reduction in volume-related costs is the result of two offsetting impacts. The first arises from allocating fixed costs over 1,509 million kgMS, an additional 38 million kgMS compared to the 2024 season, resulting in a 4 cents per kgMS decrease in fixed costs. The second reflects the \$50 million incremental cost of processing the additional 38 million kgMS (which equates to \$1.30 per kgMS). When distributed across the entire 2025 milk supply, this resulted in a 3 cents per kgMS increase in costs.

Farmgate Milk Price Capital Costs

Farmgate Milk Price Capital Costs provide for:

- Depreciation of manufacturing and other assets.
- A return on the depreciated cost of those assets at a benchmark Weighted Average Cost of Capital (WACC).
- A WACC return on the monthly net working capital balances attributable to the lag between the receipt of cash on the sale of the RCPs and cash payments for operating costs and to suppliers for milk.
- Corporate income tax.

The NMPB manufactures RCPs in modern plants with current industry-standard technology. These plants have manufacturing capacities that approximate the average of Fonterra's RCP plants. The average daily processing capacity of the standard WMP and SMP plants installed prior to the 2013 season is approximately 1.9 million litres. Incremental and replacement WMP and SMP plants incorporated in the asset base since 2013 have an average daily processing capacity of approximately 2.5 million litres, equivalent to plants installed by Fonterra at Darfield in 2013 and Pahiatua in 2015. The NMPB ensures there is always sufficient capacity to process all milk collected by Fonterra and it does so by maintaining or adding incremental plants where necessary.

Table 6 shows the capital costs and the opening book value of the NMPB's fixed assets and average net working capital for the last three seasons.

The WACC incorporates a five-year average of the five-year New Zealand Government bond rates, and increased from 1.9% (average for the five years ending June 2023) to 2.5% (average for the five years ending June 2024). This increase was offset by a reduction in the asset beta from 0.48 to 0.44, and a reduction in the Post Tax Market Risk Premium

from 7.5% to 7.0%, both as the outcome of a regular four-yearly review conducted in the 2025 season. As a result, the WACC decreased from 5.3% to 5.1% for the 2025 season.

Changes in the average age of the asset base do not result in material season-on-season movements in the capital charge. This is because the capital charge is calculated so that growth each season is approximately in line with long term capital goods inflation as long as the WACC does not change. This is achieved by using a 'tilted-annuity' methodology to calculate the capital charge. This approach means that depreciation can change between years due to a change in the WACC, or a change in long term capital goods inflation, or a change in the asset base. The reduction in the WACC, coupled with a reduction in the assumed long term capital goods inflation rate, contributed \$27 million to the increase in depreciation expense in 2025 shown in Table 6.⁹ As noted on [page 10](#), the reclassification of IT-related amortisation as depreciation rather than operating expenditure also contributed to the increase in depreciation expense.

The \$17 million increase in the capital charge on Net Working Capital is attributed to a higher average net working capital balance during the season, driven by lower average balances payable to milk suppliers. This reduction resulted from an increased advance rate payment of 85% of the forecast milk price earlier in the 2025 season, compared to the 2024 season.

Table 6: Capital costs, book value of fixed asset base and average net working capital

NZD \$ MILLION	2025	2024	2023
WACC % (post-tax) ¹⁰	5.10%	5.30%	5.00%
Depreciation	291	243	255
WACC Charge – Fixed Assets	327	339	327
WACC Charge – Net Working Capital	102	85	74
Tax	121	119	119
Total Capital Costs	841	786	775
Total Fixed Assets (Book Value)	6,508	6,502	6,677
Average Net Working Capital	1,866	1,285	1,705

⁹ For further explanation on the depreciation and capital charge using the 'tilted annuity' methodology and accompanying worked examples please refer to the following links: [Explanation of the tilted annuity calculation](#), [Worked example of the tilted annuity calculation](#).

¹⁰ The WACC rate is 5.6% for the 2026 season, reflecting an increase in the risk-free rate to 3.1% for the five years ending June 2025.

Appendix 1: Independent reasonable assurance report



To Fonterra Co-Operative Group Limited

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, the Farmgate Milk Price has been calculated, in all material respects, in accordance with the Farmgate Milk Price Manual for the season ended 31 May 2025.

In our opinion, the information presented in the Farmgate Milk Price Statement is materially consistent with the data used in the calculation of the Farmgate Milk Price for the season ended 31 May 2025.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Fonterra Co-operative Group Limited's ("Fonterra") Farmgate Milk Price and Farmgate Milk Price Statement for the season ended 31 May 2025.

Criteria

The Farmgate Milk Price Calculation and the Farmgate Milk Price Statement are assessed against the requirements of the Farmgate Milk Price Manual for the season ended 31 May 2025, dated 1 August 2024.

As a result, this report may not be suitable for another purpose.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our reasonable assurance engagement in relation to the Farmgate Milk Price and the Farmgate Milk Price Statement for the season ended 31 May 2025. We summarise below those matters and our key procedures to address those matters in order that Fonterra may better understand the process by which we arrived at our opinion. Our procedures were undertaken in the context of and solely for the purposes of our opinion on the Farmgate Milk Price and the Farmgate Milk Price Statement as a whole and we do not express discrete opinions on separate elements of the Farmgate Milk Price and the Farmgate Milk Price Statement.

NET SALES

We consider the calculation of Net Sales to be a key assurance matter due to the nature and detail of the policies and judgements included in the Principles and Rules of the Farmgate Milk Price Manual. In respect of Net Sales, there is complexity relating to (a) determining and calculating Benchmark Selling Prices from underlying Fonterra sales data, that are applied to notionally derived Referenced Commodity Product volumes and (b) the judgement in determining the phasing of sales volumes relating to actual Fonterra collections.

The procedures we performed to evaluate Net Sales include:

- examining the processes, judgements and models used to extract sales data from underlying Fonterra systems, considering whether there is manipulation of the transactional price and quantity data that forms the basis of the statutory financial statements of Fonterra. We also examined the bespoke IT program that extracts the data;
- evaluating the assumptions and judgements used in the models that calculate Net Sales. This involved challenging management and the Milk Price Group regarding the basis for each assumption. We examine the governance by the Milk Price Group and Milk Price Panel of Reference Commodity Products that are included /excluded in Benchmark Selling Prices; and
- assessing whether the requirements of the Fonterra Farmgate Milk Price Manual had been correctly applied in the models used to calculate Net Sales.

We did not identify any instances where the models and the judgements and assumptions therein, used to calculate Net Sales were inconsistent with the requirements of the Farmgate Milk Price Manual.

Appendix 1: Independent reasonable assurance report CONTINUED

Standards we followed

We conducted our reasonable assurance engagement in accordance with Standard on Assurance Engagements 3100 (Revised) Compliance Engagements (**SAE 3100 (Revised)**) issued by the New Zealand Auditing and Assurance Standards Board (Standard). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable opinion. In accordance with the Standard, we have:

- used our professional judgement to assess the risk of material misstatement and non-compliance and planned and performed the engagement to obtain reasonable assurance that the Farmgate Milk Price and Farmgate Milk Price Statement, are free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance and material misstatement and non-compliance

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect material misstatement and non-compliance, when it exists.

Misstatements, including omissions, within the Farmgate Milk Price and Farmgate Milk Price Statement and non-compliance are considered material if, individually or in aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Farmgate Milk Price and Farmgate Milk Price Statement.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the season ended 31 May 2025 does not provide assurance on whether the Farmgate Milk Price Calculation and the Farmgate Milk Price Statement compliance with the requirements of the Farmgate Milk Price Manual will continue in the future.



Appendix 1: Independent reasonable assurance report CONTINUED

Use of this assurance Report

Our report is made solely for Fonterra Co-operative Group Limited. Our assurance work has been undertaken so that we might state to Fonterra Co-operative Group Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report should not be regarded as suitable to be used or relied on by anyone other than Fonterra for any purpose or in any context. Any party other than Fonterra who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than Fonterra for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our report is released to Fonterra Co-operative Group Limited on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

Farmgate Milk Price Statement

The Milk Price Panel of Fonterra Co-operative Group Limited are responsible for the preparation and fair presentation of the Farmgate Milk Price and Farmgate Milk Price Statement in accordance with the Farmgate Milk Price Manual. This responsibility includes such internal control as the Milk Price Panel determine is necessary to enable the preparation of the Farmgate Milk Price and Farmgate Milk Price Statement that are free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express an opinion to Fonterra:

- whether the Farmgate Milk Price has been calculated, in all material respects, in accordance with the Farmgate Milk Price Manual, and
- whether the information presented in the Farmgate Milk Price Statement is materially consistent with the data in the calculation of the Farmgate Milk Price.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board, which is founded

on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has provided other services to Fonterra Co-operative Group Limited such as financial statement audit and review services, other assurance services and agreed upon procedures. We have also provided vendor due diligence services in relation to the divestment of the consumer and associated businesses and have been engaged to provide assurance over the compilation of proforma information in the Notice of Meeting to shareholders. The firm has no other relationship with, or interest in, Fonterra Co-operative Group Limited.



KPMG
KPMG Auckland
24 September 2025

Appendix 2: Updates to the Farmgate Milk Price Manual and calculation

Minor refinements to address practical issues in a timely and efficient way have regularly been made to the Manual since it was introduced in the 2009 season.

These refinements play an important part in ensuring the Farmgate Milk Price methodology continues to be robust. Refinements to the Manual must be consistent with the Milk Price Principles.

Adjustments can be made to a number of parameters and inputs without any change being required to the Manual. An example is the rule that allows for new RCPs to be added if certain criteria are met. The Manual also provides for reviews of important aspects to be carried out at least every four years, and the Board or Milk Price Panel may initiate additional reviews if circumstances warrant.

Farmgate Milk Price Manual updates

The Fonterra Board approved amendments to the Manual for the 2026 season to better align the rule dealing with changes to the reference basket to the corresponding provision in DIRA, to address minor matters of clarification raised by the Commerce Commission in its 2024 review of the Manual for the 2025 season, and to improve the clarity of a number of provisions. None of the changes affect the calculation methodology, the quantum of the milk price or the administration and governance of the Farmgate Milk Price for the 2026 season. An explanation of the changes is provided in the 'reasons paper' provided by Fonterra to the Commerce Commission in support of the 2025/26 Manual, located at:

[Fonterra-Reasons-paper-in-support-of-Fonterra27s-2025-26-milk-price-manual-1-August-2025.pdf](#)

As part of its oversight role, the Commerce Commission reviews and reports annually on whether the Manual is consistent with ensuring Fonterra is operating efficiently, and whether it allows for competition in the market for farmers' milk. The Commerce Commission's final report on the 2024/25 Manual was released on 16 December 2024. That report can be found at:

[Final-report-Review-of-FonterraE28099s-2024-25-base-milk-price-manual.pdf](#)

The Manual for the 2026 season is available at:
[fy26-milk-price-manual-1-august-2025.pdf](#)

Changes in approach to the calculation of the farmgate milk price

There were no changes in the application of the Manual for the 2025 season that resulted in a materially different values of inputs into the Farmgate Milk Price calculation.



Appendix 3: Farmgate Milk Price overview

Rationale for Farmgate Milk Price

Fonterra currently collects around 80% of New Zealand's milk production. Because Fonterra purchases a large proportion of New Zealand's total milk, there is no market price for milk that is independent of the price paid by Fonterra. As a result, since its formation in 2001, Fonterra has calculated a Farmgate Milk Price that enables total returns to be allocated between payments for milk and returns on the capital invested by Fonterra farmer shareholders and by unit holders in the Fonterra Shareholders' Fund.

The Aggregate Farmgate Milk Price is different from the cost of New Zealand sourced milk disclosed in Fonterra's financial statements due to:

- The financial statements report the cost of milk for the 12 months ending 31 July whereas the Aggregate Farmgate Milk Price relates to milk supplied in the 12 months of the season ending 31 May;
- Differences between what Fonterra is willing to pay in premiums for value added products such as organic milk which a commodity-only processor would not pay;
- The higher premium that Fonterra pays for Winter Milk compared to the premium that would be paid by a commodity-only processor;
- The amount of Additional Commodity Milk Payments and Standard Supply Adjustments.

Rationale for Reference Commodity Products

Manufacture of the RCPs comprised approximately 65% of Fonterra's total New Zealand ingredients production in the 2025 season and a slightly higher proportion of other New Zealand processors' total production.

Returns from the sale of RCPs can therefore be regarded as reflecting the marginal returns that would drive the price of milk in a competitive market in New Zealand, and it is therefore appropriate that the Farmgate Milk Price is based on these products. Returns from non-powder commodities, such as cheese and casein, have largely been irrelevant in driving investment in the dairy industry over the past 10 years and are therefore not taken into account in determining the Farmgate Milk Price.

The Farmgate Milk Price does not include any returns earned by Fonterra from non-commodity or specialised ingredients or consumer-branded products. These types of products earn premiums over the returns to standard commodity products. It is appropriate that these premiums are recognised in Fonterra's earnings rather than in the Farmgate Milk Price.

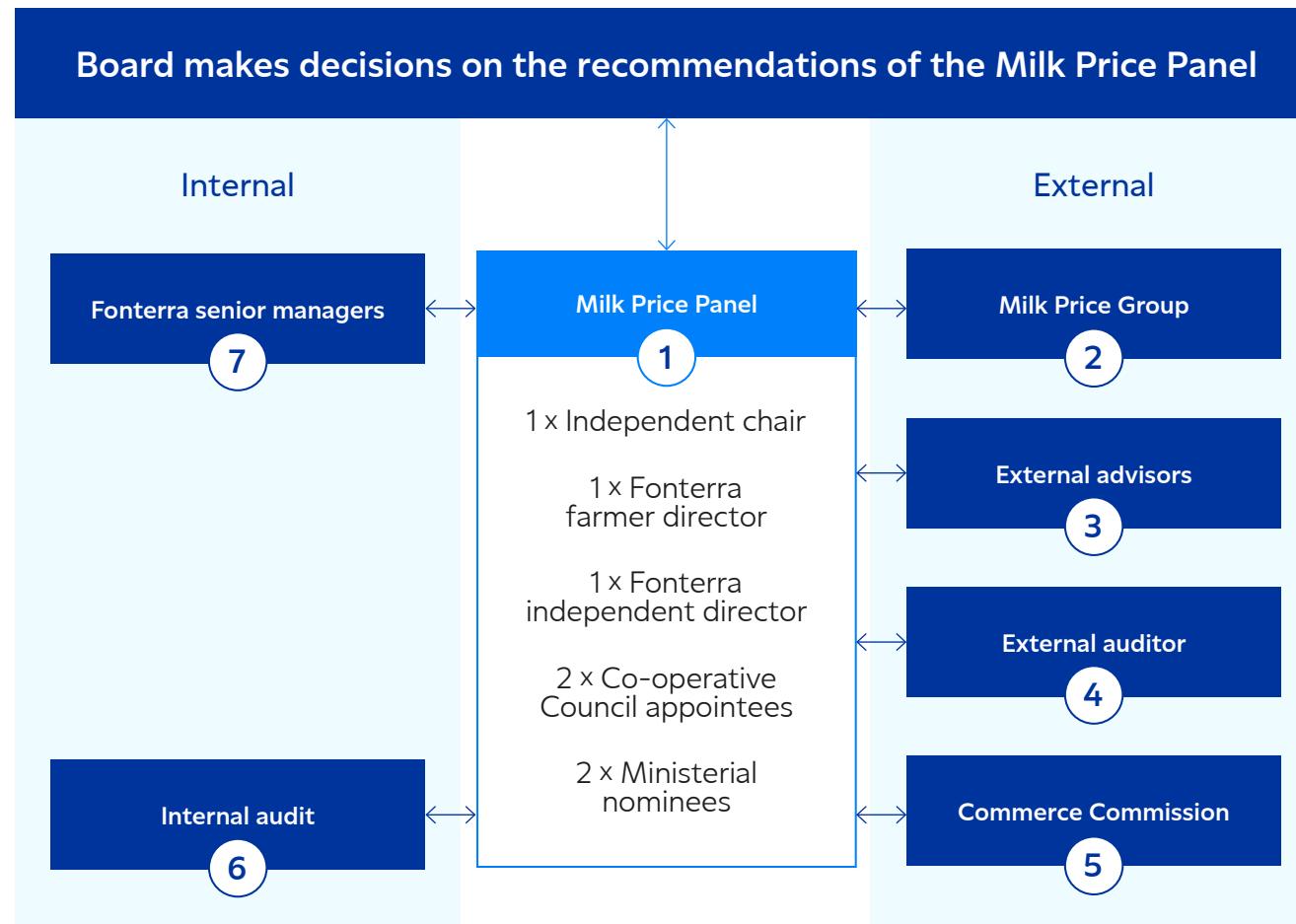
Farmgate Milk Price Governance

The Fonterra Board sets the total amount to be paid by Fonterra for all milk supplied to Fonterra in New Zealand in a season.

Both Fonterra's Constitution and DDIRA require Fonterra to maintain the Manual, which sets out Fonterra's policies and methodology for determining the Farmgate Milk Price. The Manual must reflect the Milk Price Principles set out in Fonterra's Constitution. The Farmgate Milk Price has been calculated in accordance with the Manual since the 2009 season.

The Fonterra Board has established a robust governance structure to oversee the setting of the Farmgate Milk Price, which comprises the elements illustrated in the diagram on page 17.

Appendix 3: Farmgate Milk Price overview CONTINUED



1. Milk Price Panel

The Milk Price Panel plays a key role in overseeing the integrity of the Farmgate Milk Price. With effect from June 2023, the Government enacted changes to DIRA to enhance the independence of the Milk Price Panel. Following those changes, Fonterra is required to appoint an independent chair and the Minister of Agriculture nominates two panel members.

For the 2025 season, the Panel comprised David Pilkington (independent chair), Professor Hamish Gow and Ming Lim-Pollard (Minister of Agriculture nominees), Bill Donaldson and Fred Ohlsson (Co-operative Council appointees), John Nicholls (farmer elected Fonterra director) and Bruce Hassall (Fonterra director).

In July 2025, Pat Duignan replaced Ming Lim-Pollard, having been appointed as a nominee of the Minister of Agriculture, and in September 2025 Andrew Barlass replaced Bill Donaldson as an appointee of the Co-operative Council.

The Panel oversees the governance of the Farmgate Milk Price and the Manual, including changes to the Manual and verification by independent external experts of key parameters (such as resource usage rates, product yields and fixed manufacturing costs).

The Panel is responsible for:

- Overseeing the calculation of the Farmgate Milk Price and making a recommendation on it to the Fonterra Board.
- Overseeing the preparation of the Farmgate Milk Price Statement and making a recommendation on it to the Fonterra Board.
- Providing recommendations to the Fonterra Board on changes to the Manual.

Appendix 3: Farmgate Milk Price overview CONTINUED

- Providing assurance to the Fonterra Board that the Farmgate Milk Price has been calculated in accordance with the Manual.

The Fonterra Board is responsible for the forecast of the annual Farmgate Milk Price.

2. Milk Price Group

The Milk Price Group is appointed by Fonterra in accordance with DIRA, and is independent of Fonterra. Its role is to:

- Ensure that the Farmgate Milk Price is calculated in accordance with the Manual and to make recommendations in respect of the Farmgate Milk Price to the Panel.
- Consider any proposed amendments to the Manual, including those the Milk Price Group itself considers are appropriate, and ensure they are consistent with the Milk Price Principles in Fonterra's Constitution.
- Provide assurance to the Fonterra Board over the calculation of the forecast of the Farmgate Milk Price.
- Manage engagement with other external advisors.
- Engage with the Commerce Commission, including to ensure full disclosure of all material aspects of the Farmgate Milk Price derivation each year.

With effect from June 2023, the Government enacted changes to DIRA to enhance the independence of the Milk Price Group, and to require the periodic replacement of the firm undertaking the functions of the Milk Price Group. For the 2025 season the functions of the Milk Price Group were contracted out to EY and other technical experts who are not employees of Fonterra. Deloitte has been appointed to fulfil the function of the Milk Price Group with effect from the 2026 season.

3. External advisors

External advisors provide expert advice on various inputs and participate in reviews of key parameters of the Farmgate Milk Price at regular intervals (which can be up to four years).

4. External auditor

The external auditor examines the Farmgate Milk Price each year and provides assurance that the Farmgate Milk Price has been determined in accordance with the Milk Price Principles, Methodologies and Detailed Rules of the Farmgate Milk Price Manual. Fonterra's external auditor is KPMG.

5. Commerce commission

Subpart 5A of DIRA, which was passed into law in July 2012, gives the Commerce Commission an oversight role with respect to Fonterra's Farmgate Milk Price.

The purpose of Subpart 5A is to promote the setting of a Farmgate Milk Price that provides an incentive to Fonterra to operate efficiently, while providing for contestability in the market for the purchase of milk from farmers (section 150A). Each year the Commission is required to review and report on the extent to which the Manual and Fonterra's actual Farmgate Milk Price are consistent with this purpose.

The DIRA changes that were enacted in 2023 also included measures to strengthen the Commerce Commission's oversight of Fonterra's Farmgate Milk Price setting regime. The Commerce Commission now has the power to issue binding directions to Fonterra on its use of inputs, assumptions, and processes, and matters arising from the Commerce Commission's reviews of the Manual and the Farmgate Milk Price, together with

new enforcement powers. The changes also included a requirement for Fonterra to make publicly accessible all non-sensitive information relevant to the Commerce Commission's reviews.

6. Internal audit

Fonterra's internal audit team provides assurance over the processes and controls relating to Fonterra data used in the calculation of the Farmgate Milk Price.

7. Fonterra senior managers

Fonterra senior managers provide internal oversight of the calculation of the actual and forecast Farmgate Milk Price in accordance with the Manual and detailed models and procedures. Fonterra management is also responsible for engagement with the Commerce Commission.

Appendix 4: Milk Supplied and production volumes

PRODUCTION (000 MT) OF FINISHED PRODUCT																					
MILK SUPPLIED (MILLION KGMS)			WMP			SMP			BUTTER			AMF			BMP			TOTAL			
	2025	2024	2023 ¹¹	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Jun to Aug	133	123	126	123	130	130	82	65	68	21	16	19	24	20	19	7	6	6	256	237	242
Sep to Nov	571	554	555	711	683	692	224	221	219	98	88	94	49	53	46	15	21	20	1,097	1,066	1,071
Dec to Feb	478	472	465	560	537	516	204	212	218	91	92	92	45	45	47	15	21	21	915	907	894
Mar to May	327	322	334	390	350	392	127	150	138	52	53	53	39	43	39	14	18	17	622	615	639
Total	1,509	1,471	1,480	1,784	1,700	1,730	638	647	643	262	249	258	156	162	151	50	66	64	2,890	2,824	2,846

Appendix 5: Sales volumes

SHIPMENTS (000 MT) OF FINISHED PRODUCT																					
WMP			SMP			BUTTER			AMF			BMP			TOTAL SALES						
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Aug to Oct	234	221	163	94	97	65	22	32	23	13	25	14	6	3	2	369	378	267			
Nov to Jan	599	544	542	223	235	227	100	89	87	41	46	43	14	18	22	976	932	920			
Feb to Apr	475	478	448	179	161	176	66	61	73	40	41	36	14	22	17	774	761	752			
May to Jul	398	402	485	119	146	154	51	49	56	51	36	52	12	19	15	630	652	761			
Aug to Oct	78	54	93	23	8	21	23	18	19	12	15	6	5	5	8	141	100	146			
Total	1,784	1,700	1,730	638	647	643	262	249	258	156	162	151	50	66	64	2,890	2,824	2,846			

¹¹ Fonterra and its suppliers experienced significant disruptions to milk supply during and subsequent to significant weather events in the 2023 season total milk paid for was 1.483 billion kgMS compared to 1.480 billion of kgMS collected and available for manufacture into product.

Appendix 6: Average number of months prior to shipment that prices were struck

AVERAGE NUMBER OF MONTHS PRIOR TO SHIPMENT															
WMP			SMP			BUTTER			AMF			BMP			
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Aug to Oct	2.2	2.1	2.5	2.3	3.0	2.8	1.9	2.7	2.7	2.2	2.9	2.7	2.2	2.8	1.2
Nov to Jan	2.6	2.6	2.8	2.6	3.0	3.0	2.9	2.9	3.0	2.7	3.2	3.3	2.8	2.8	2.8
Feb to Apr	2.6	2.5	2.4	3.0	2.9	2.8	2.8	3.1	2.9	2.6	2.8	2.8	2.8	3.0	2.4
May to Jul	2.4	2.5	2.5	2.7	2.8	3.0	2.7	2.7	2.9	2.7	2.7	2.3	2.6	3.3	2.4
Aug to Oct	2.6	2.9	3.2	2.7	3.4	3.5	3.0	2.5	3.0	2.8	2.6	3.4	2.6	3.2	2.7
Total	2.5	2.5	2.6	2.7	2.9	3.0	2.8	2.8	2.9	2.6	2.9	2.8	2.7	3.0	2.5

Appendix 7: Average % of sales contracted in each month prior to shipment

AVERAGE PERCENTAGE OF SALES CONTRACTED IN EACH OF MONTHS 1-5 PRIOR TO SHIPMENT															
WMP			SMP			BUTTER			AMF			BMP			
NUMBER OF MONTHS	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
1	10%	14%	15%	10%	7%	12%	9%	9%	10%	13%	13%	17%	10%	10%	21%
2	46%	43%	35%	38%	32%	29%	42%	34%	30%	39%	29%	29%	43%	30%	37%
3	29%	28%	29%	32%	29%	25%	24%	30%	29%	25%	27%	27%	26%	24%	20%
4	10%	11%	14%	13%	20%	19%	16%	17%	19%	16%	19%	16%	12%	20%	11%
5	4%	4%	7%	7%	11%	15%	10%	11%	12%	6%	13%	11%	9%	16%	11%

Appendix 8: Average USD prices

USD PER MT OF FINISHED PRODUCT

SHIPMENT PERIOD	WMP			SMP			BUTTER			AMF			BMP		
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Aug to Oct	3,346	2,849	3,661	2,690	2,619	3,884	6,682	4,937	5,602	7,335	4,873	5,611	3,058	2,486	3,564
Nov to Jan	3,505	2,878	3,542	2,785	2,523	3,514	6,583	4,823	5,290	7,309	4,941	5,633	3,235	2,413	3,530
Feb to Apr	3,894	3,224	3,334	2,900	2,671	3,053	6,858	5,384	4,801	7,133	5,825	5,593	3,503	2,511	3,130
May to Jul	4,136	3,307	3,223	2,967	2,671	2,853	7,618	6,527	4,831	6,963	6,896	4,999	3,495	2,597	2,838
Aug to Oct	4,100	3,377	3,198	2,927	2,699	2,751	7,686	7,187	5,167	7,332	7,222	5,053	3,186	2,820	2,528
Total Weighted Average Price	3,755	3,089	3,392	2,842	2,610	3,242	6,959	5,479	5,072	7,156	5,797	5,381	3,345	2,530	3,137
Full season GDT-only prices	3,735	3,063	3,361	2,803	2,575	3,213	6,904	5,423	5,019	7,103	5,730	5,345	3,114	2,417	3,003

Appendix 9: Average NZD/USD conversion and spot rates

	2025		2024		2023	
	FONterra's Average Conversion Rate	Spot Exchange Rate	FONterra's Average Conversion Rate	Spot Exchange Rate ¹²	FONterra's Average Conversion Rate	Spot Exchange Rate
Aug to Oct	0.6148	0.5994	0.6115	0.5957	0.6560	0.5942
Nov to Jan	0.6027	0.5704	0.6170	0.6166	0.6418	0.6334
Feb to Apr	0.5900	0.5798	0.6078	0.6039	0.6398	0.6213
May to Jul	0.5974	0.5979	0.6126	0.6085	0.6195	0.6140
Aug to Oct	0.5951	0.5898¹³	0.6046	0.6155	0.6174	0.5933
Revenue-Weighted Annual Average Rate	0.5988	0.5836	0.6120	0.6084	0.6357	0.6192

¹² Certain average spot exchange rate figures for the 2024 season differ from those disclosed in the 2024 Farmgate Milk Price Statement, as forecast exchange rates have been replaced with actual exchange rates.

¹³ This Milk Price Statement presents the spot exchange rate for August 25 to October 25 as the spot rate at 9am on 31 July 2025, which is the last business day of Fonterra's financial year.

Glossary

In this Statement the following terms have the meanings as set out below:

TERM	DEFINITION
Additional Commodity Milk Payments	as defined in the Manual for the 2025 season.
Aggregate Farmgate Milk Price	as defined in the Manual for the 2025 season.
AMF	means anhydrous milk fat.
BMP	means buttermilk powder.
Detailed Rules	means the detailed rules for calculating the Farmgate Milk Price as set out in the Manual.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities.
Farmgate Milk Price	means Fonterra's Farmgate Milk Price as determined under the Manual for the 2025 season.
Farmgate Milk Price Capital Costs	as defined in the Manual for the 2025 season.
Farmgate Milk Price Cash Costs	as defined in the Manual for the 2025 season.
Farmgate Milk Price Manual or Manual	means Fonterra's Farmgate Milk Price Manual which is available on: https://view.publitas.com/fonterra-comms/f25-milk-price-manual-1-august-2024/
Farmgate Milk Price Revenue	as defined in the Manual for the 2025 season.
Financial year	means Fonterra's financial year, which runs from 1 August to the following 31 July.
Fixed Asset Capital Charges	as defined in the Manual for the 2025 season.
Fonterra	means Fonterra Co-operative Group Limited.
Global Dairy Trade or GDT	means the electronic auction platform that is used to sell commodity dairy products.

TERM	DEFINITION
IT	means information technology.
kgMS	means kilograms of milk solids.
Milk Price Principles or Principles	means the Milk Price Principles set out in Fonterra's Constitution.
MT	means metric tonnes.
Net Working Capital	as defined in the Manual for the 2025 season.
Notional Milk Price Business or NMPB	means a business that collects the Milk Supply and converts it into the Farmgate Milk Price Production Plan for sale at the New Zealand wharf as described in Section 1.1 of Part C of the Manual.
NZD	means New Zealand dollars.
Reference Commodity Products or RCP	means the commodity products used to calculate the Farmgate Milk Price, comprising WMP, SMP, BMP, AMF and butter.
Season	means the 12-month period from 1 June to the following 31 May.
SMP	means skim milk powder.
Standard Supply Adjustments	as defined in the Manual for the 2025 season.
USD	means United States dollars.
Winter Milk	means milk supplied by farmers in the months of May, June and July.
WMP	means whole milk powder.

Farmgate Milk Price Statement 2025

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