Trans Pacific Partnership
A business perspective

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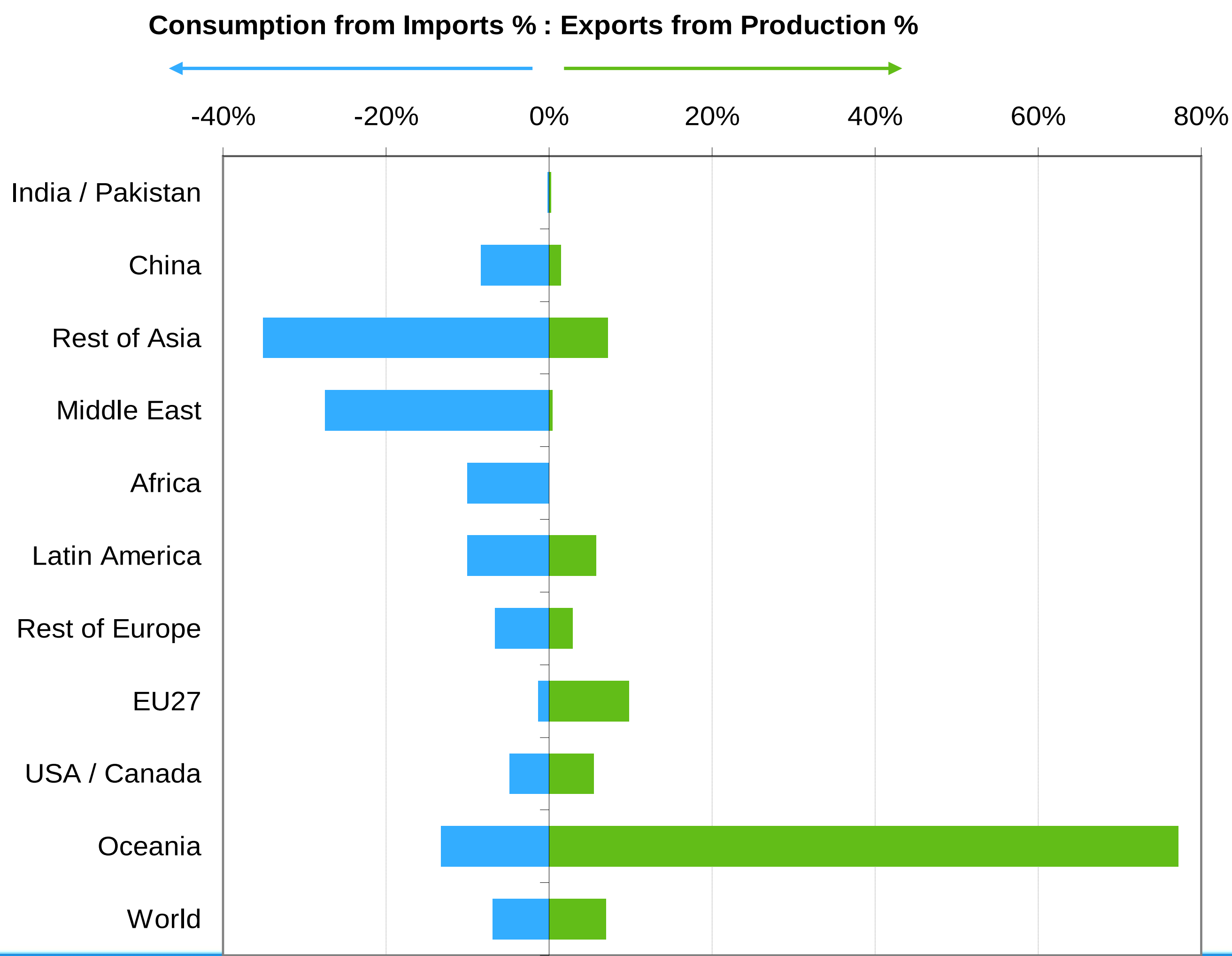
Fonterra

Dairy for life

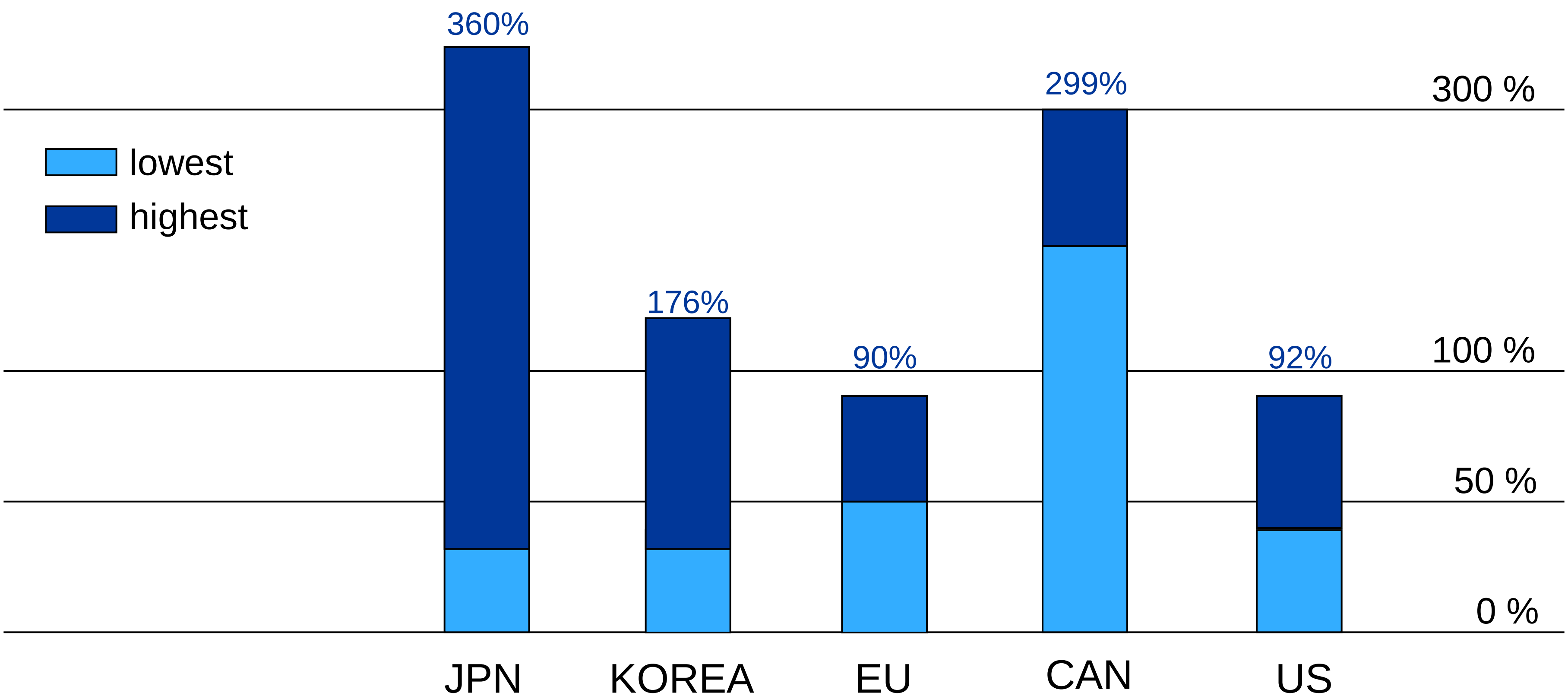
Fonterra at a glance

- Co-operative owned by 10,500 supplier shareholders
- World’s number one milk processor in 2009 (IFCN)
- Process more than 21 billion litres globally per year
- World’s leading dairy exporter – a third of global dairy trade
- Earn 26% of NZ’s exports and supply more than 100 markets
- 25% of our volumes are non-NZ milk
- 15,800 staff globally

Dairy trade is necessary



Trade agreements matter where protection is high



Dairy tariffs: selected countries

Current tariffs of key commodities (SMP, WMP, Butter, Cheddar)
Source: WTO AVE notifications

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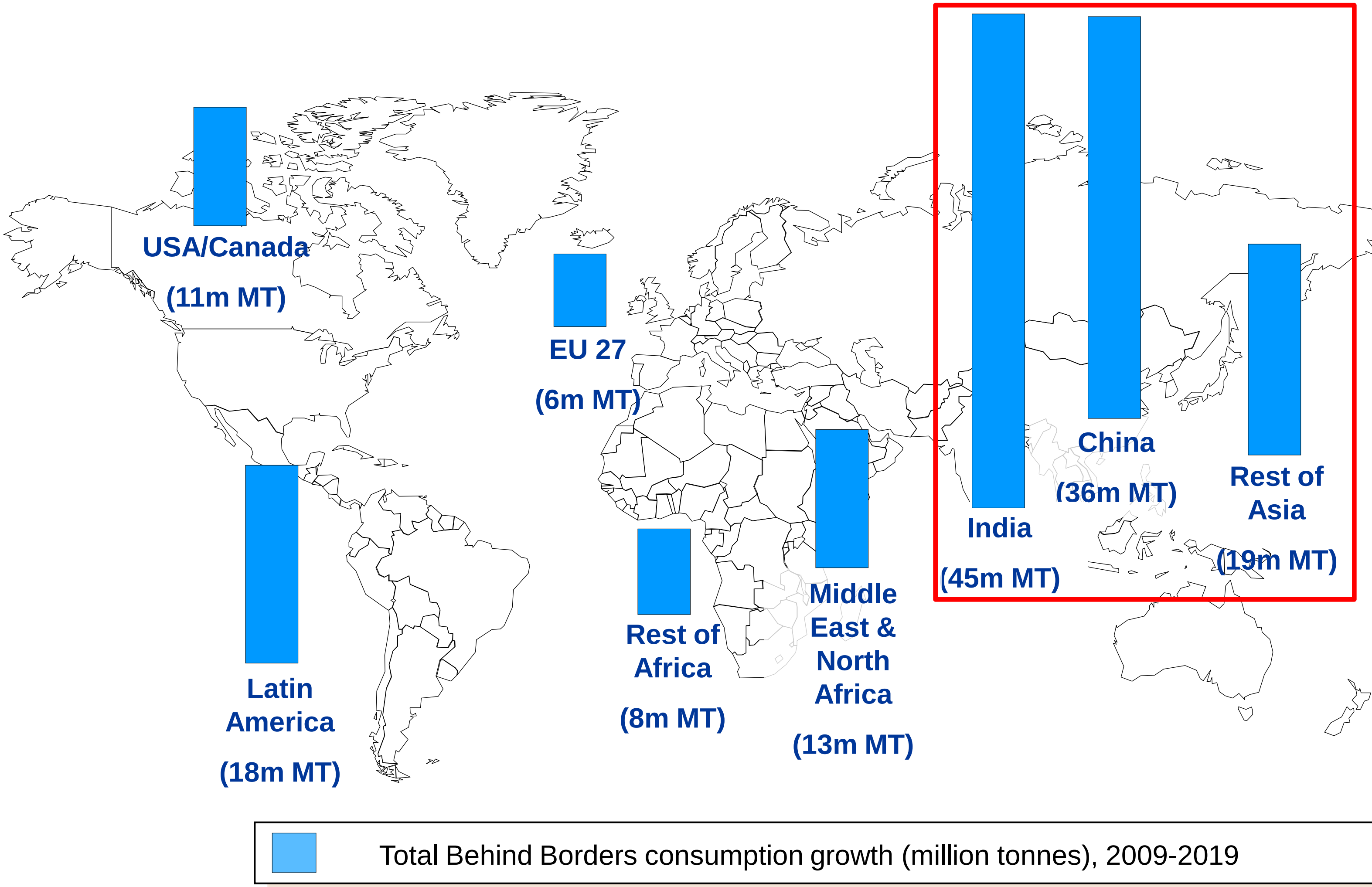
Asia leads forecast growth in dairy consumption



Forecast growth in Asia (2009-2019) of 100m MT

64% of world forecast demand growth

Sources: Fonterra analysis. Milk Equivalent (ME) basis.

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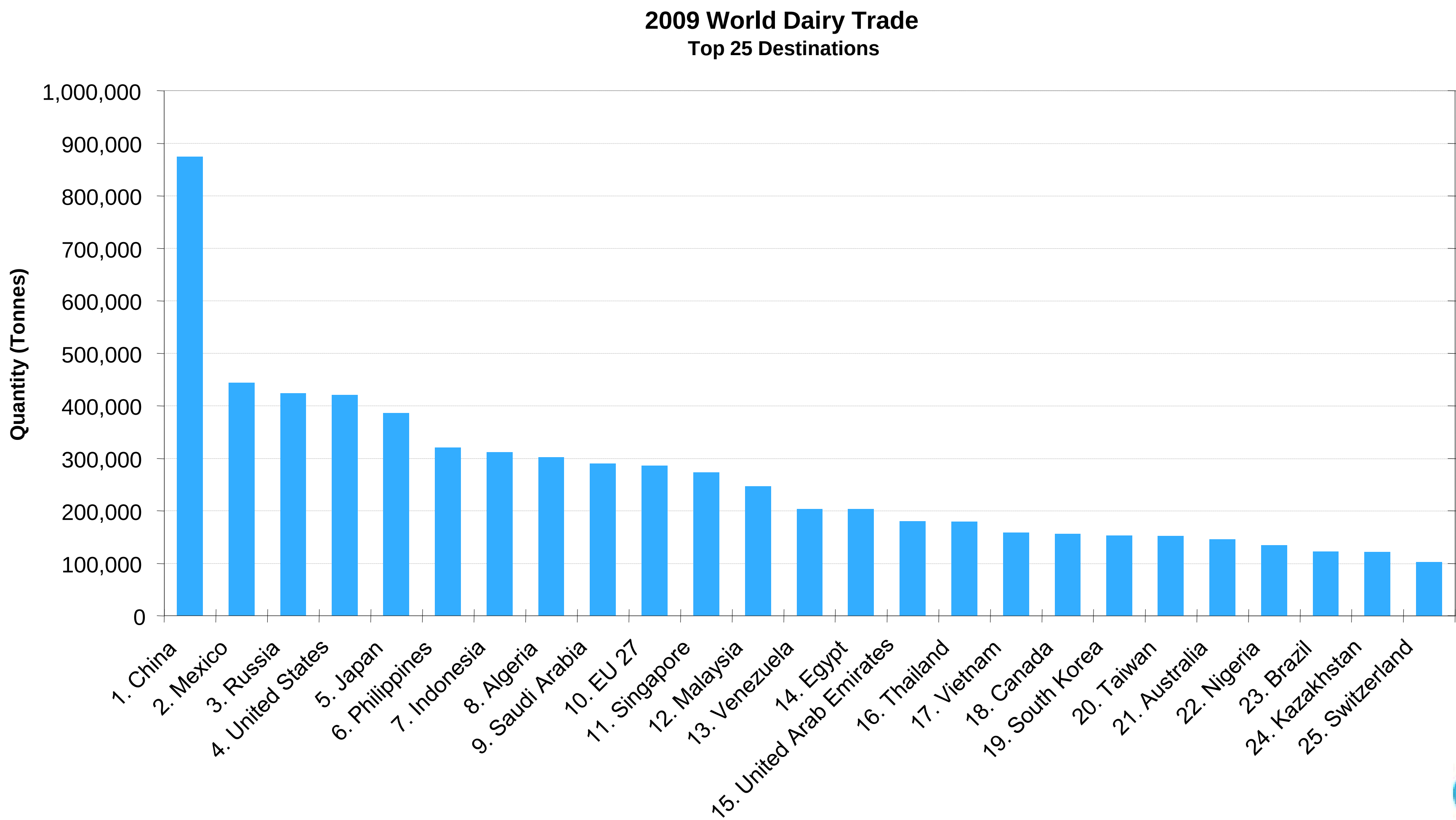
Global Dairy Trade 2009

…Exports to China continue to surge



Reference: GTIS

China data includes Hong Kong

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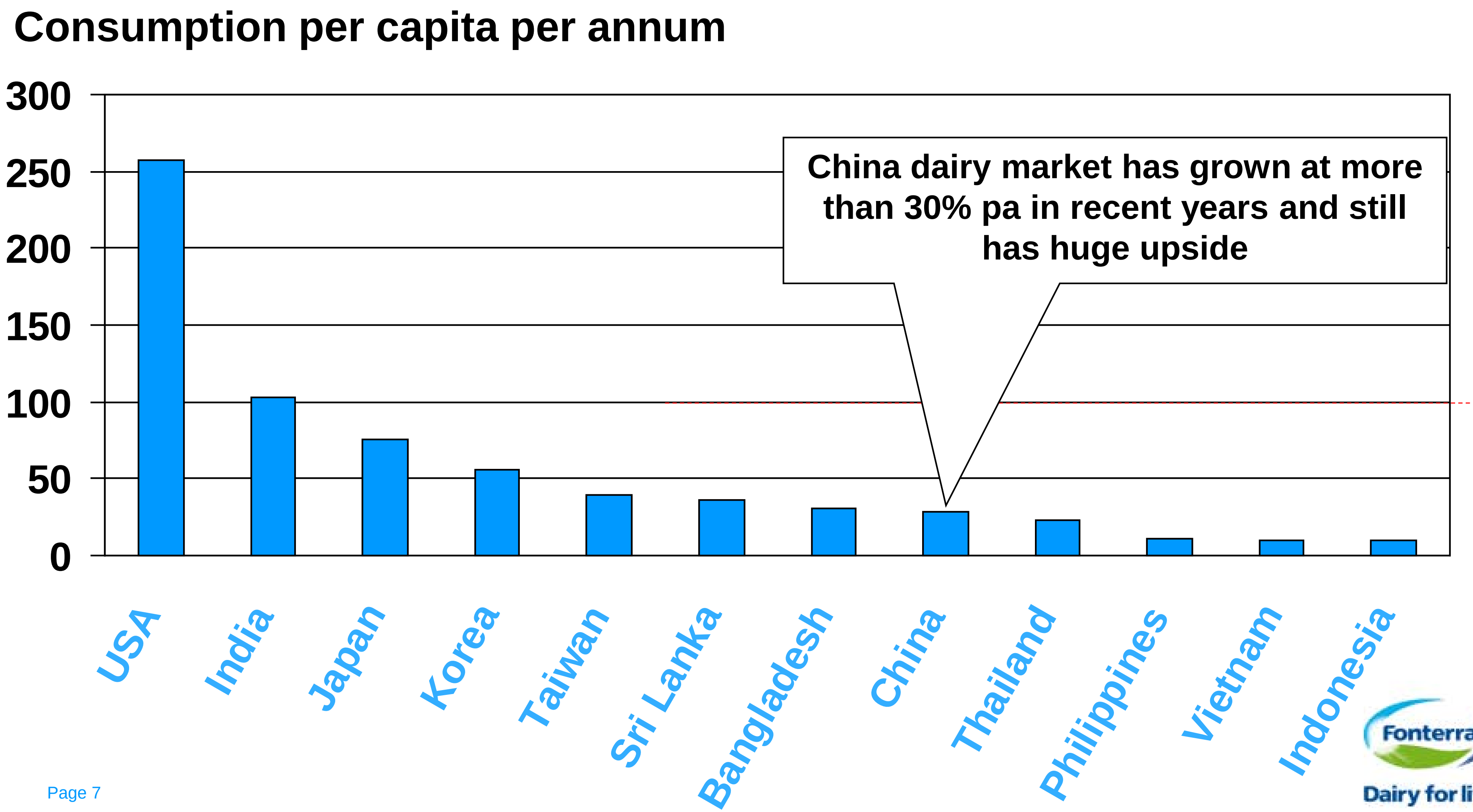
Further upside ahead



Source: IFCN, China Dairy Industry Statistics

Meeting Asian demand

- Imports for Asia are large at 24.3m tonnes – but from where?
- This is 27% of current U.S. production and more than total New Zealand production.
- EU, Australia, Argentina and Brazil have constraints
- New Zealand growth is approx 3% per year – not enough
- US is a relatively low cost producer of quality product, geographically well located to supply Asia and able to ramp up production.

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The US dairy equation

- US is both a dairy importer and the 3rd largest exporter
- There is little economic incentive for New Zealand to export dairy products to the USA
- Significant market for Fonterra - mainly in adding value with our processes and technology
- Protected market discourages exports and ability to take advantage of the supply gap in Asia
- US dairy industry stands to gain as much from a high quality, all inclusive TPP as New Zealand does

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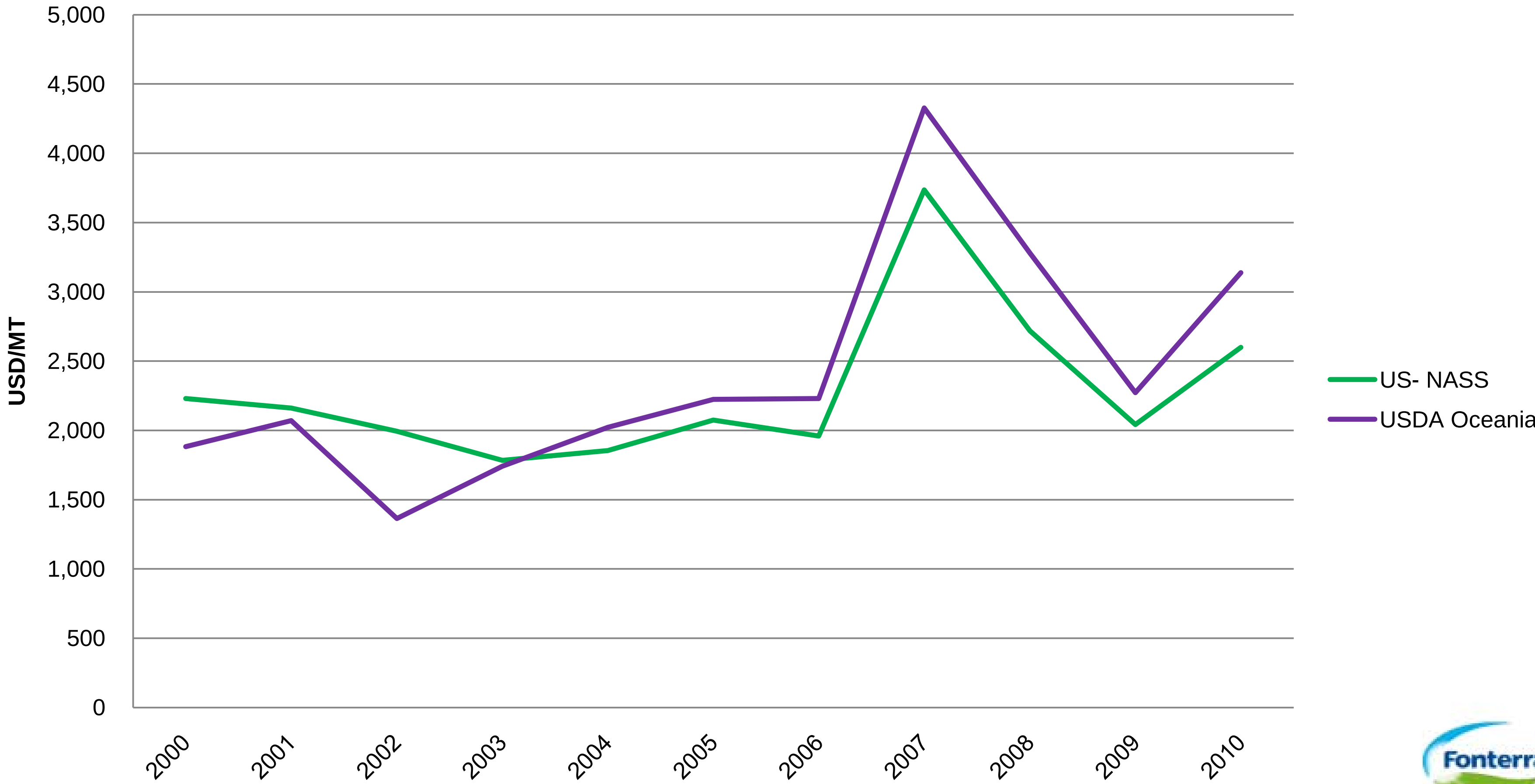
Annual SMP Prices



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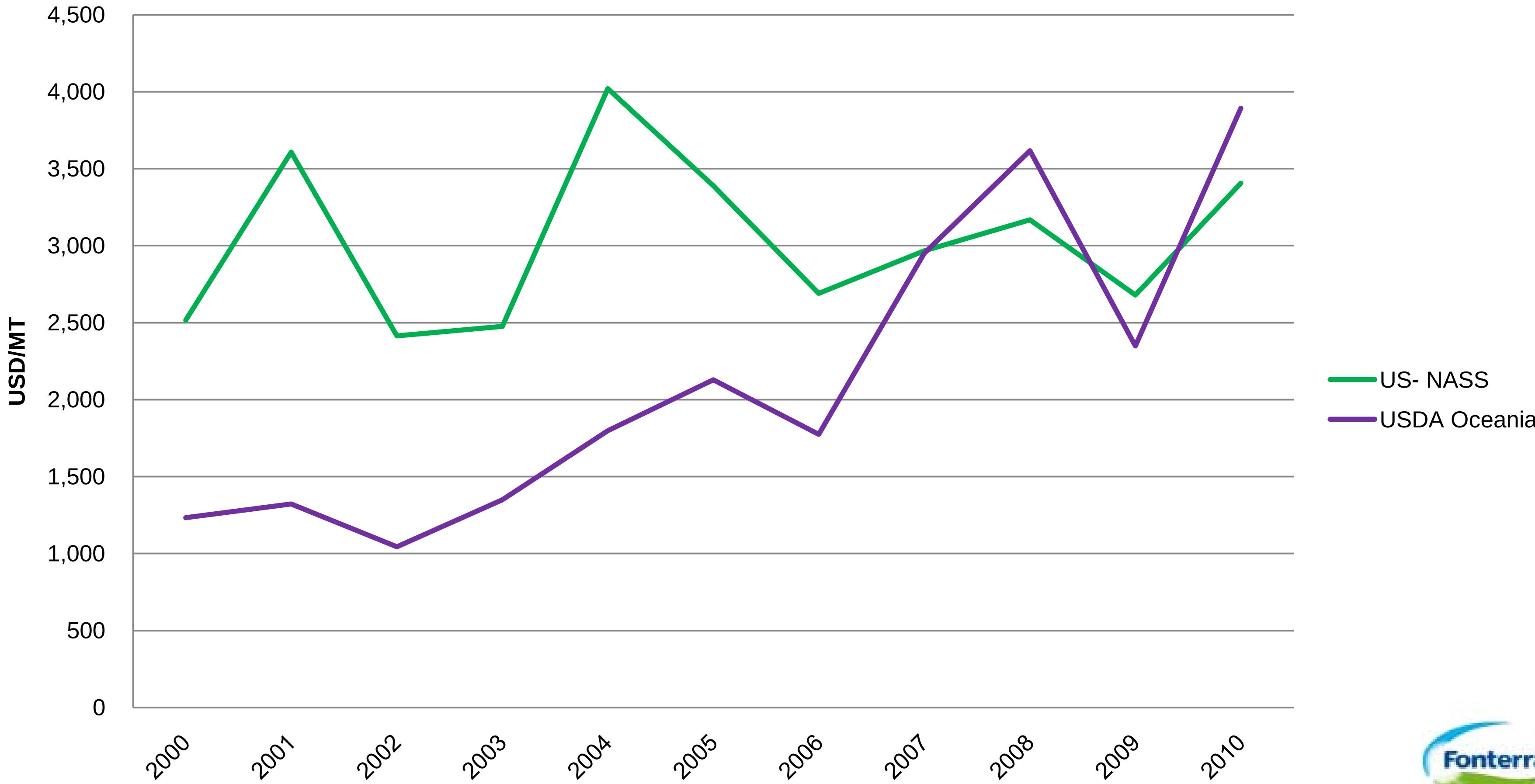
Annual Butter Prices



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Annual Cheese Prices

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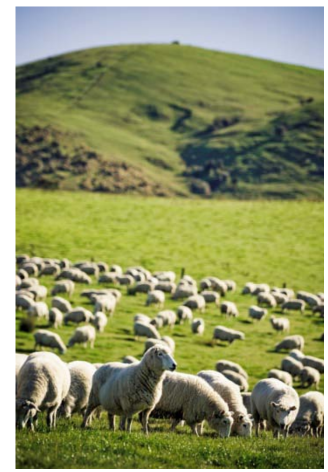
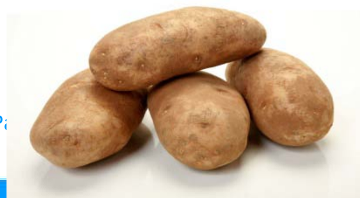
Opportunity to address technical barriers

TPP can drive greater regulatory coherence in the region:

- o technical regulations that don't follow Codex (cheese standard in Canada; potatoes into Korea)
- o Registration of foreign meat plants
- o Frequent audits of food facilities
- o Different testing standards





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Thank you

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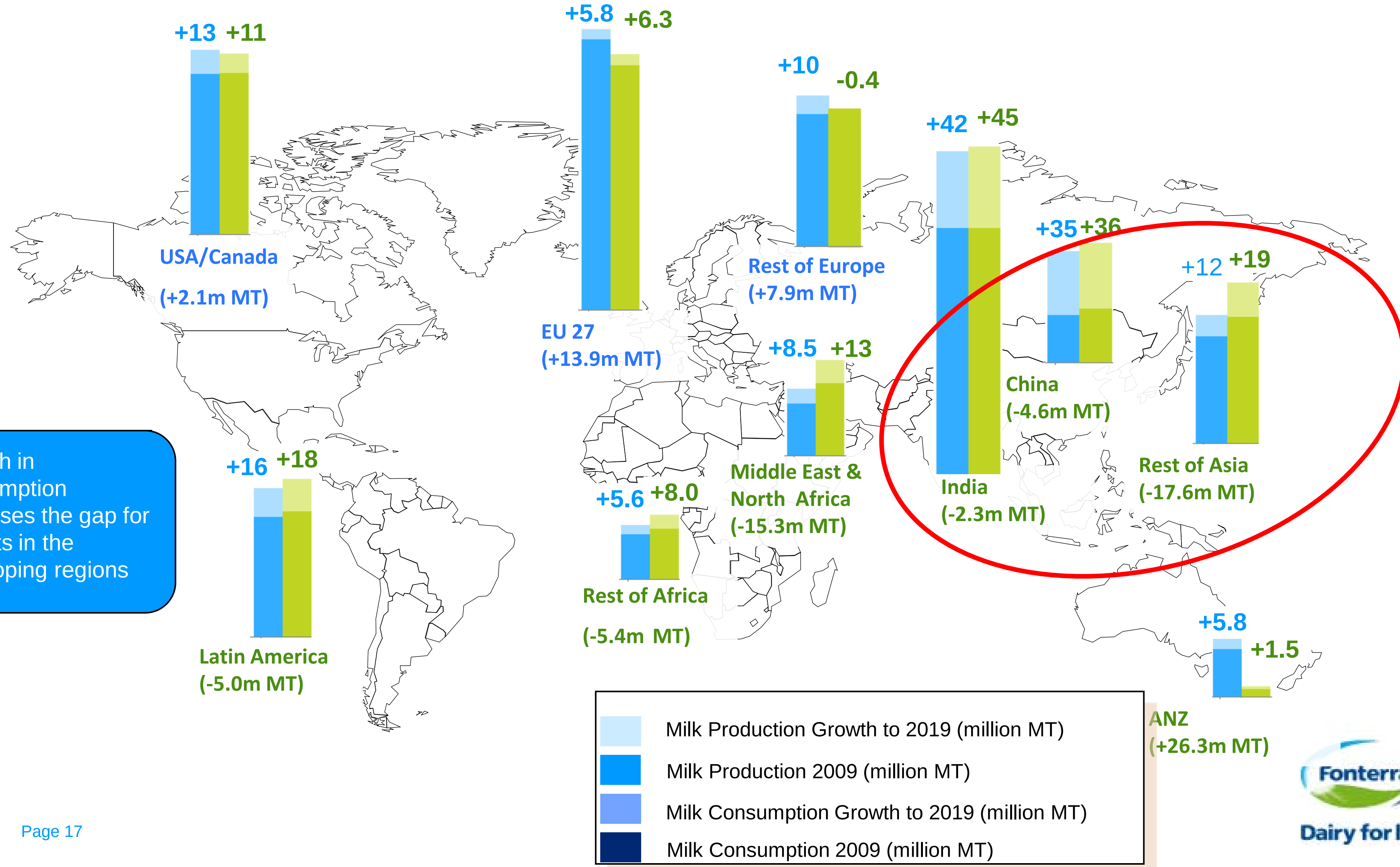
Supplementary

Over the next 10 years, the import requirements of developing regions increases



Growth in consumption increases the gap for imports in the developing regions

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Sources: Fonterra analysis (Commercial Forecasting). Standardised Milk Equivalent (ME) basis [7.4 MT of ME = 1MT of WMP]