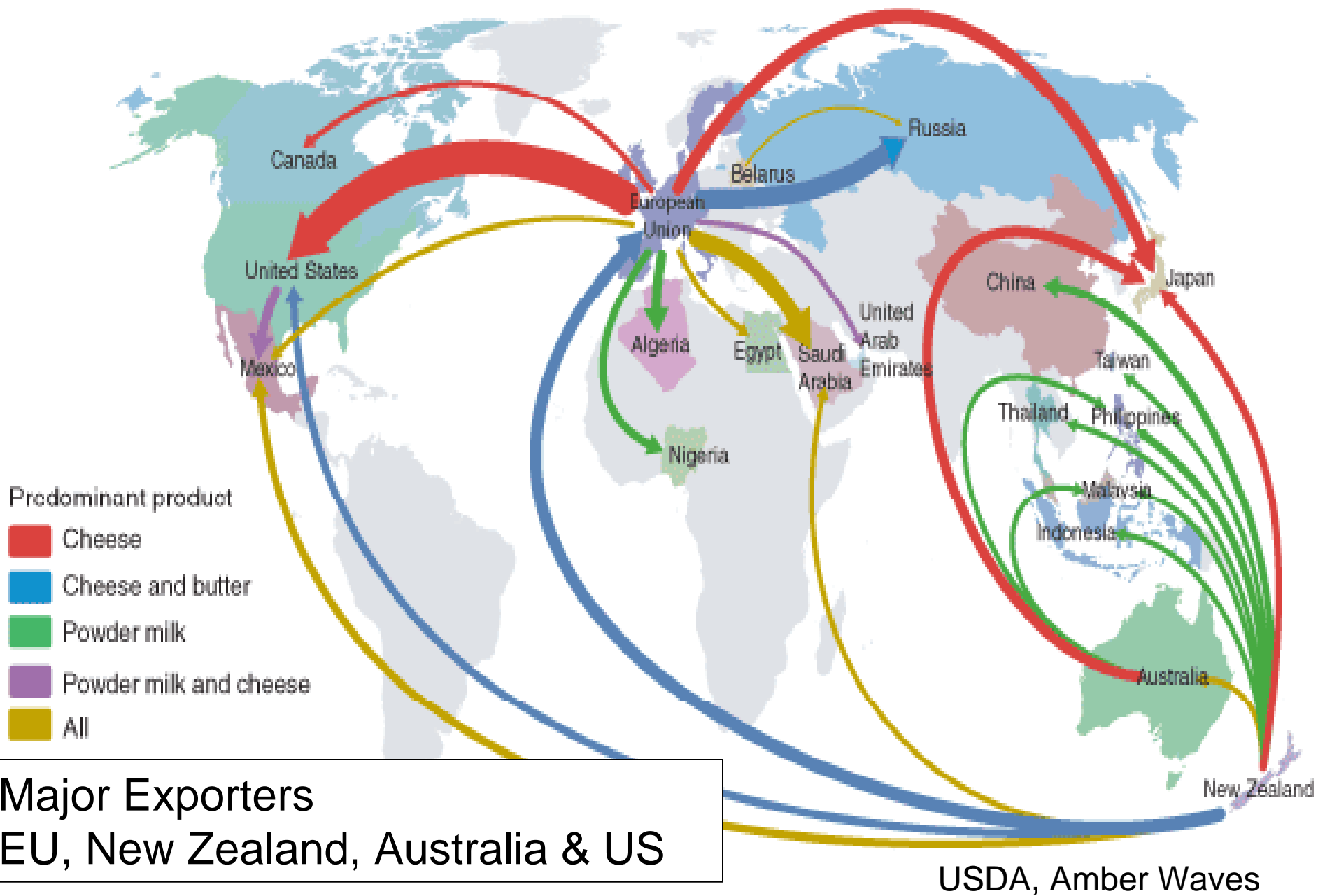
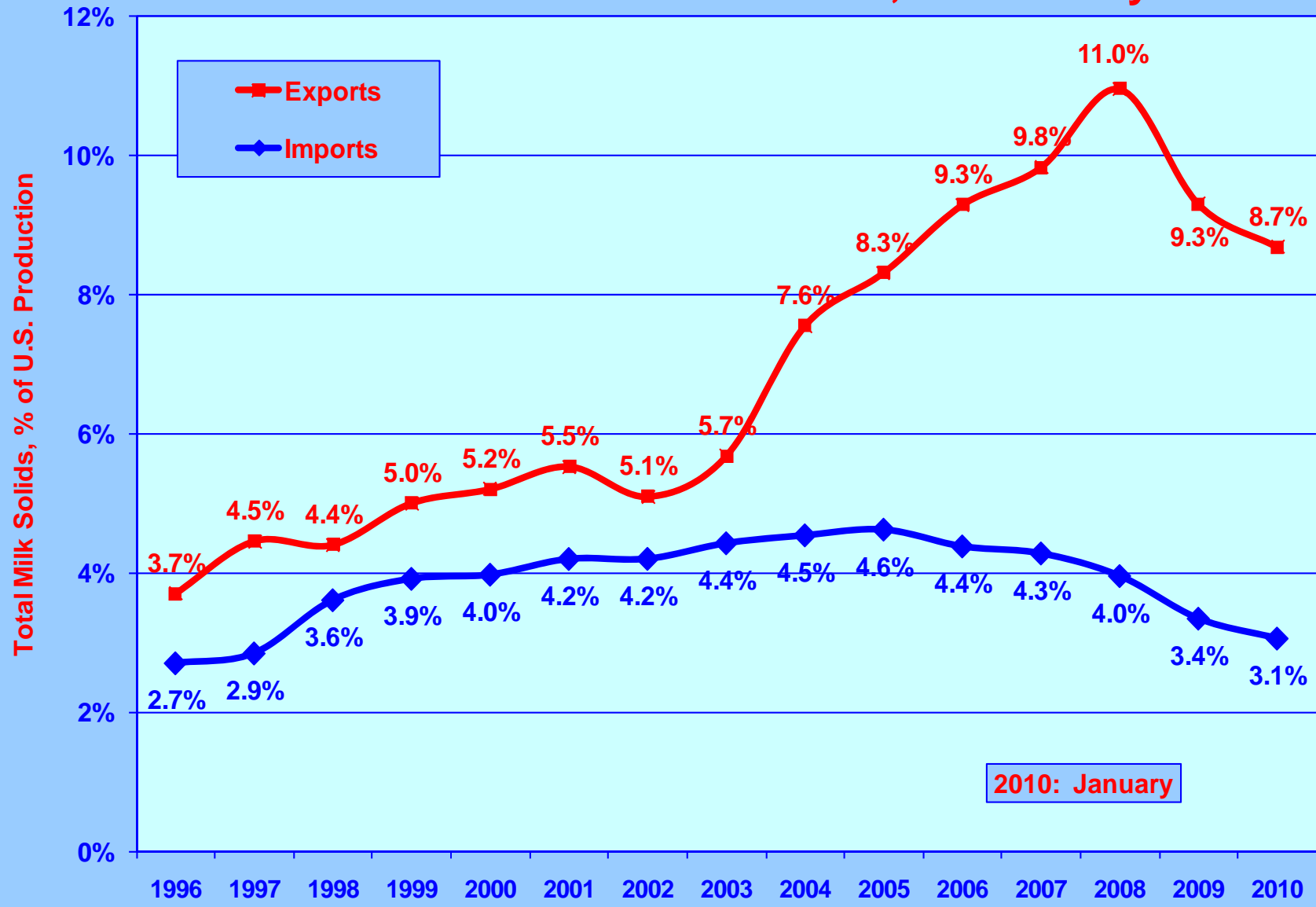


Major Global Trade Flows of Dairy Products in 2003



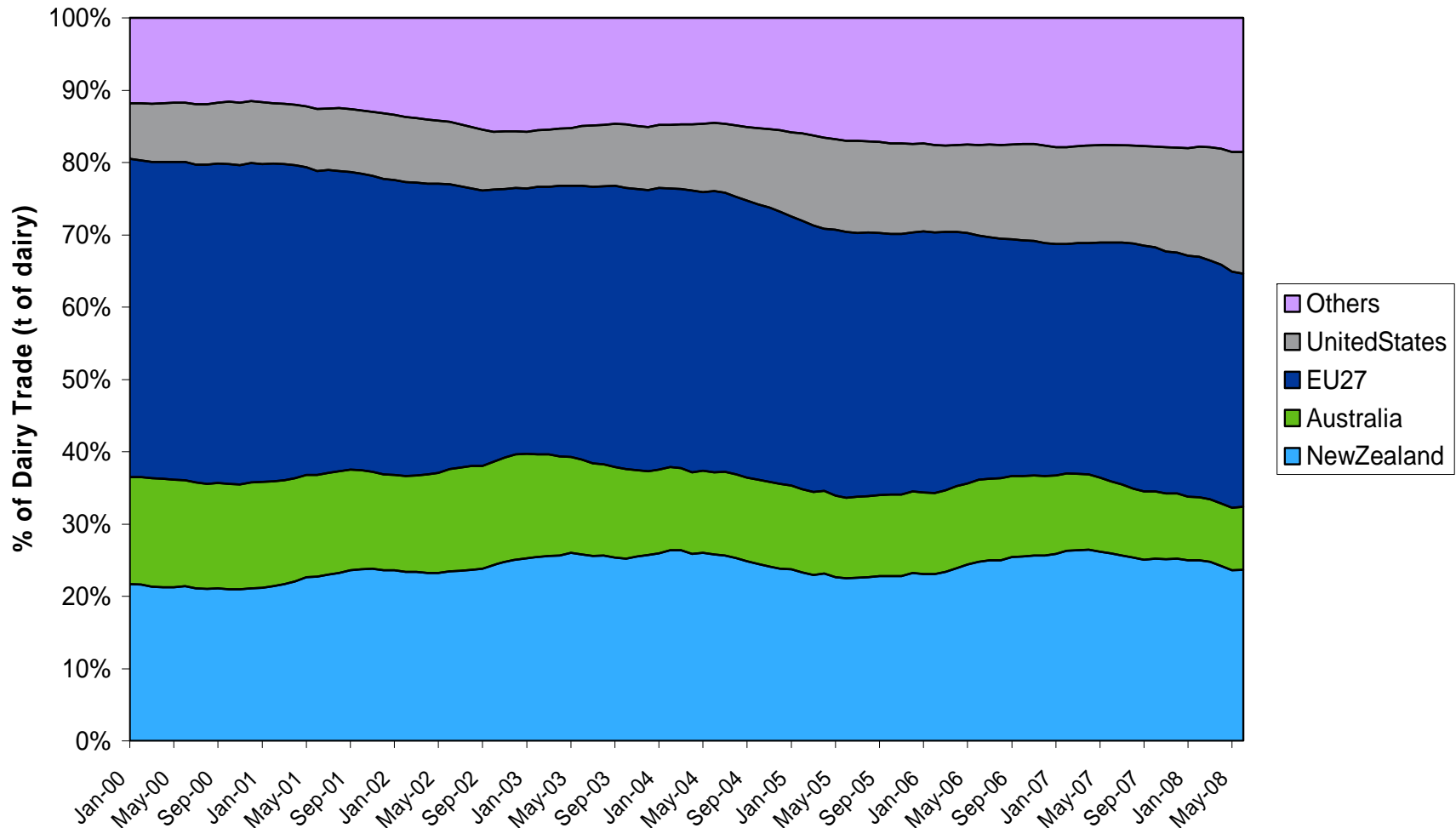
U.S. DAIRY TRADE BALANCE, 1996-2010 ytd



Global exports are dominated by the big four, but the landscape is evolving with...

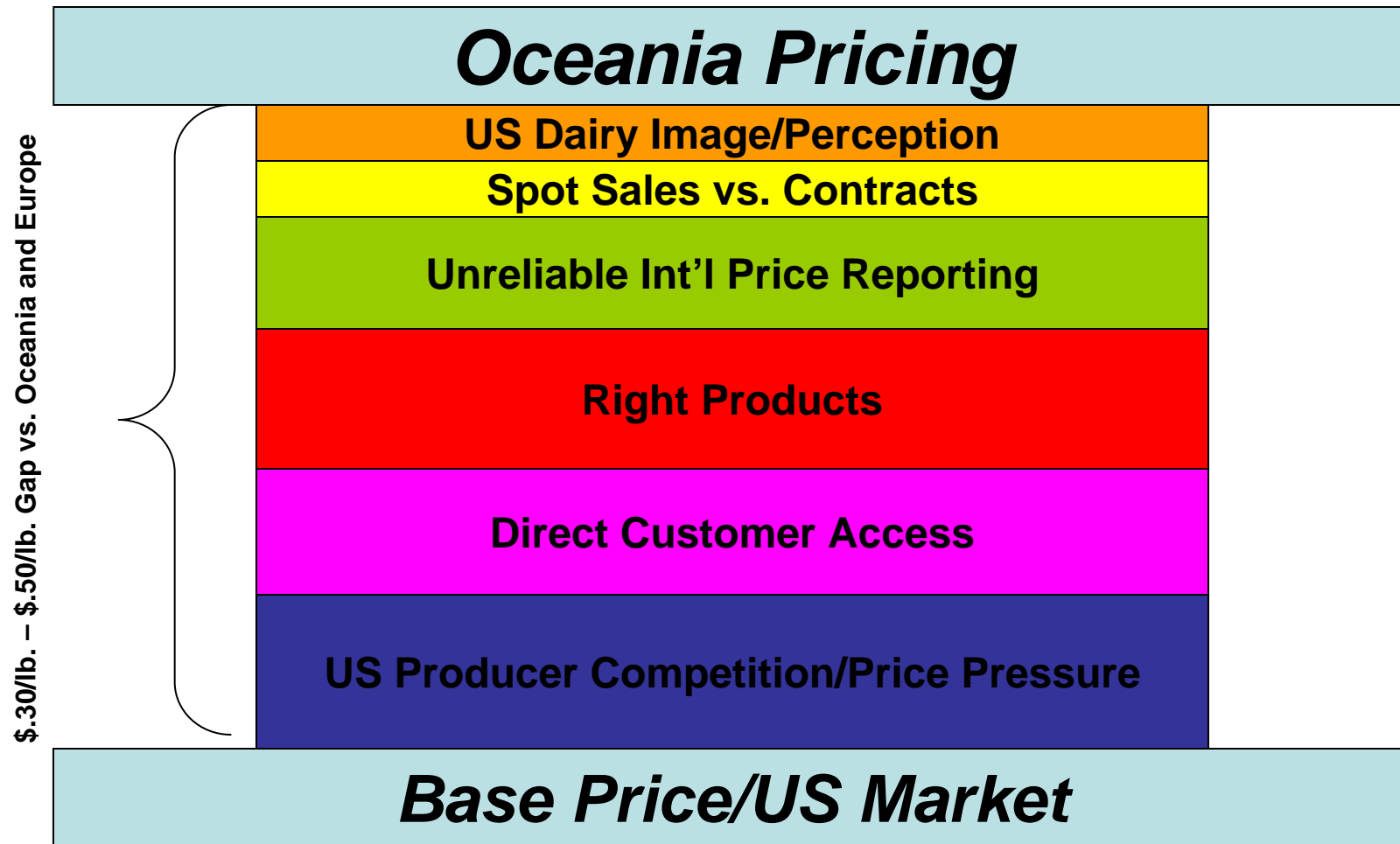


World Share of Dairy Trade



Note: t of dairy refers to tonnes of dairy protein + dairy fat + other solids in all traded dairy products.

US Price vs. World Prices



New Approach to US Exports

- No longer only surplus commodities
- Marketing agencies, DairyAmerica
- Expanded role for CWT
- Trade agreements via WTO, GATT
- New supply chain model?
 - Manufacture in US
 - Develop in country assets

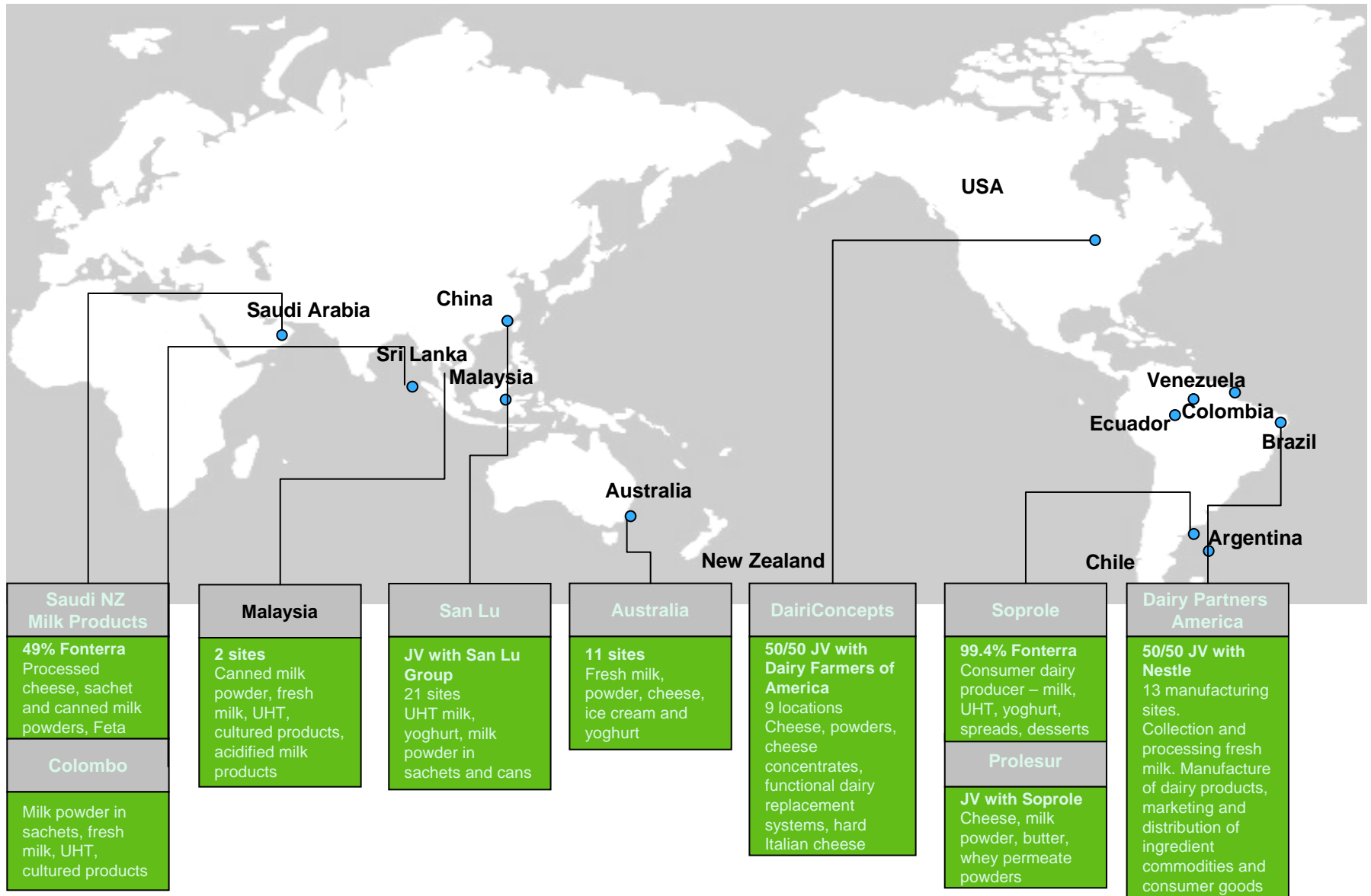
CWT Exports to 56 countries

Algeria	El Salvador	Lebanon	Singapore
Angola	Germany	Mexico	South Africa
Austria	Guatemala	Morocco	South Korea
Bahrain	Haiti	Netherlands	Spain
Bangladesh	Honduras	Nicaragua	Taiwan
Barbados, W.I.	Hong Kong	Oman	Tobago
Belgium	India	Panama	Trinidad
Bermuda	Indonesia	Peru	Tunisia
British W.I.	Israel	Philippines	Turkey
Canada	Jamaica	Poland	United Arab Emirates
China	Japan	Qatar	United Kingdom
Denmark	Jordan	Romania	Venezuela
Dominican Republic	Kyrgyzstan	Russia	Viet Nam
Egypt	Kuwait	Saudi Arabia	





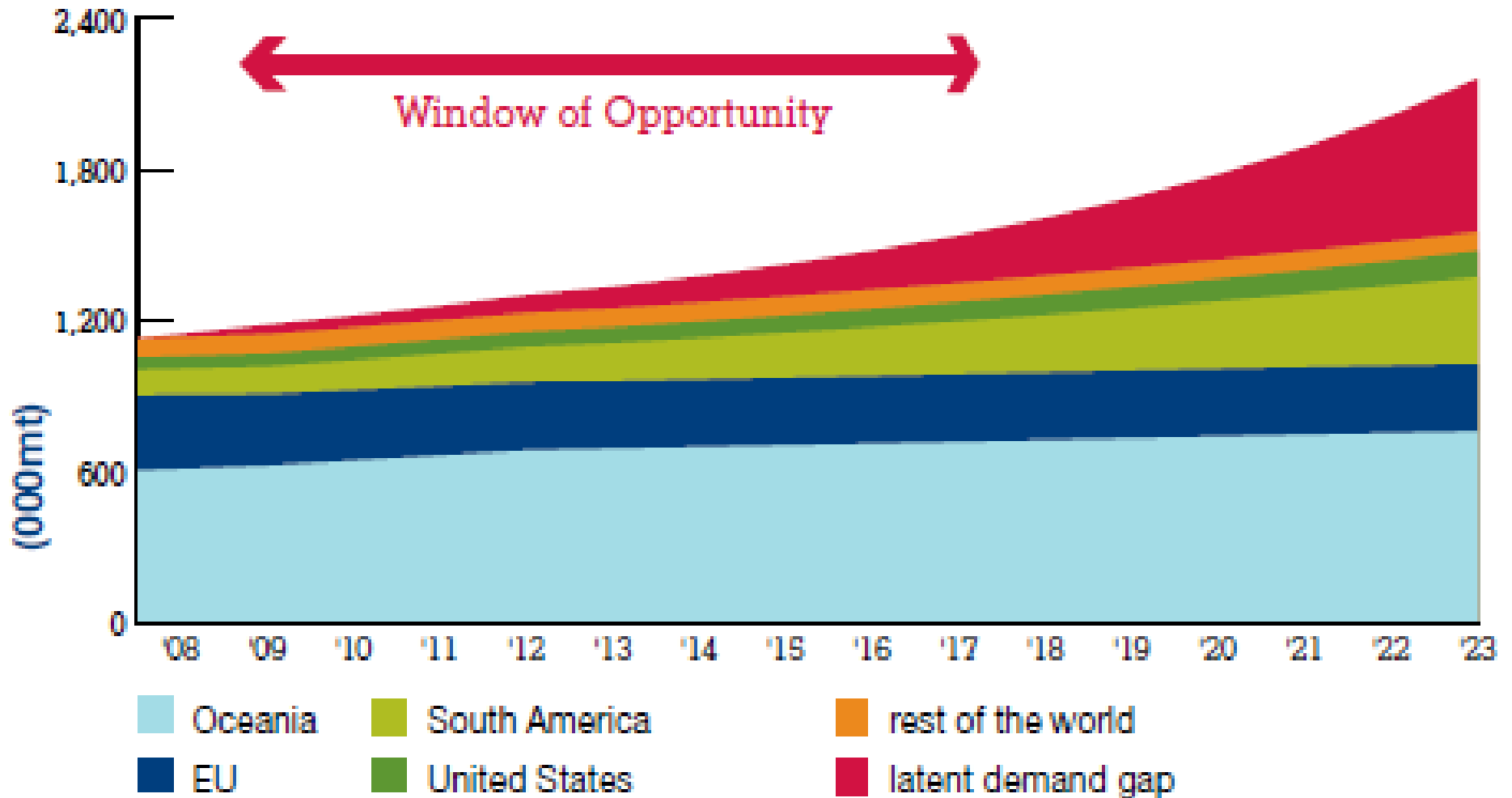
International Operations



Factors Impacting Export Market

1. Income GDP growth
2. US \$ exchange rates
3. Government regulations—EU eliminate quota 2015; export subsidies
4. Weather—especially exporting countries

Who Will Fill the Gap?



Export Product Terms Differ

- **Butter spec's differ**
 - 80% v. 82%, unsalted, no lactic acid
- **Spreads with custom spec's**
- **NFDM vs. SMP**
 - International buyers prefer SMP
 - Standardized protein level

DairyAmerica

- Positive aspects

- Transfer price .01¢

- Sales
 - Credit
 - Logistics
 - Scheduling
 - Returning .015¢

Services Provided

- Stability in the market place

- LOL 15 mm additional lbs. unexpected powder

- As long as we make commodity powder not a butter option currently

- Negative energy around CWAP/NASS vs. international pricing

DairyAmerica

- Negative aspects
 - Tough time making decisions
 - CWT/NMPF request
 - Our international partner also our competitor
 - Not getting direction to produce the unmet demand
 - Forecasting/planning ability
 - Has not developed a strong international expertise
 - Reporting errors – negative image

Our Strategy



- Ensure Fonterra remains one of the **lowest cost, sustainable dairy co-operatives** in the world – an absolute priority
- **Build trusting partnerships with customers** by being a multi-origin supplier, allowing us to build more valuable relationships through supply chain integration and innovation
- In high growth markets, where it is not practical to use New Zealand milk, we will **leverage our cow-to-consumer expertise** to build profitable businesses using locally-produced milk
- **Make Fonterra products the first choice** of customers and consumers where we do business



Fonterra – who we are



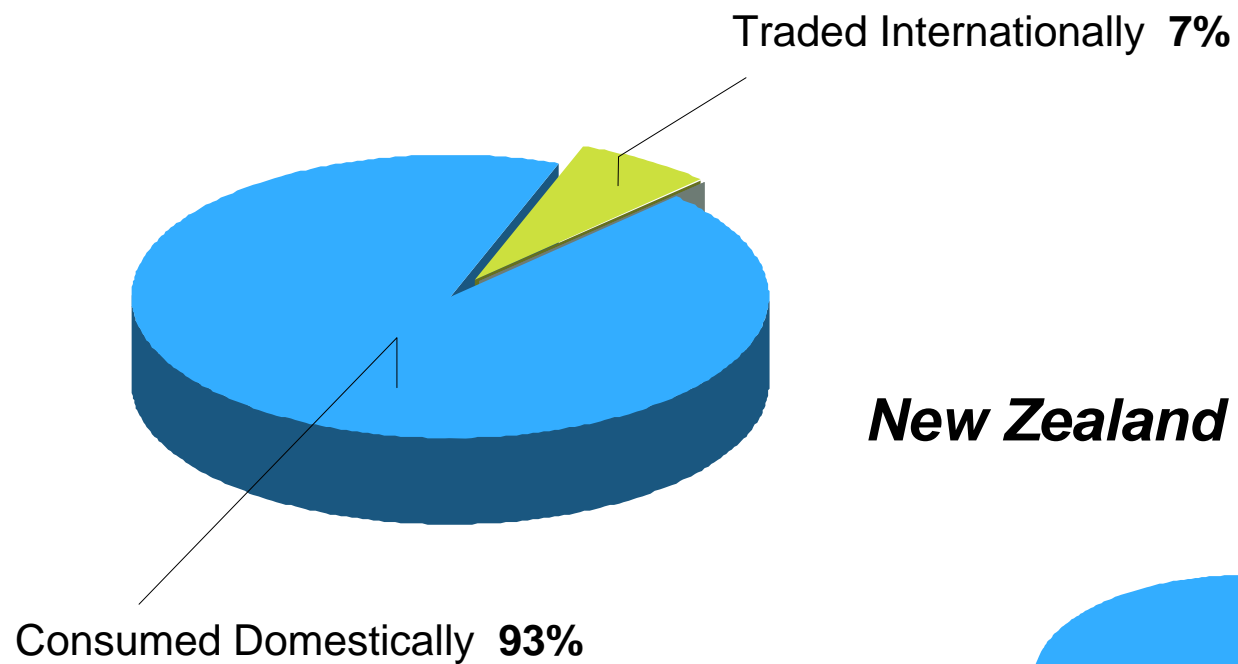
- NZ Co-operative owned by 11,600 supplier shareholders
- Operating Revenue of USD\$13.7 billion for 2007/08
- Market 2.6 million tonnes of products annually-25% “non NZ origin”
- Export 95% of NZ production to more than 130 markets around the world
- Employ 16,500 people worldwide
- Global network of 140 offices



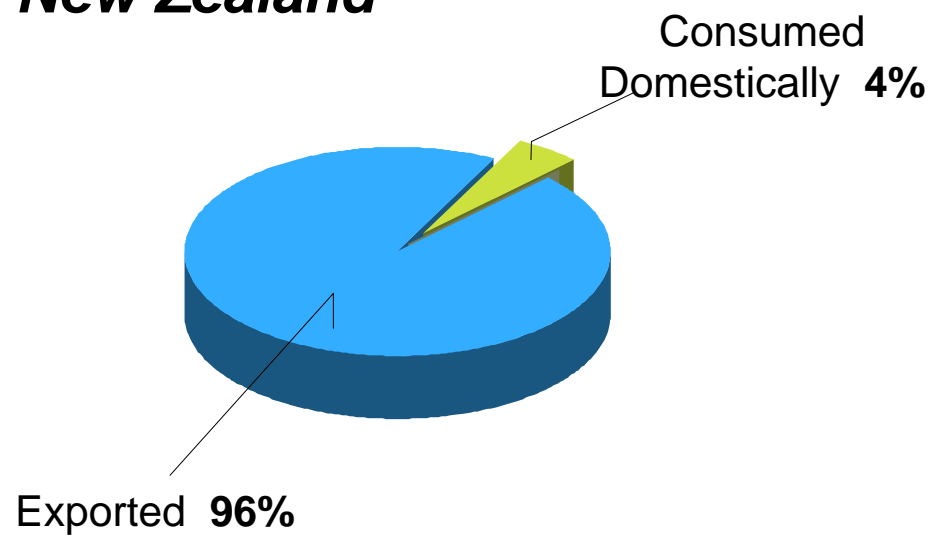
Global dairy consumption and trade



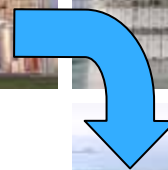
World



New Zealand



Cow to Consumer Integrated Business



45 billion pounds of milk processed and sold

85 origin sites

90 origin stores

11 origin ports

1,500 voyages

280 destination ports

100+ destination stores

5,000 customers

Millions of consumers