

Champions Trophy

Case Competition 2015



Case 4: Fonterra Co-operative Group

31 January 2015

Case prepared by Lauren Gent and Matt Sung. This case has been prepared solely for the 2015 Champion's Trophy Case Competition [Pending Fonterra Approval]. All data in this case has been obtained from publically available sources and Fonterra Co-Operative Group Limited. This case is not intended to serve as an endorsement, a source of primary data, or an illustration of effective or ineffective management.

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From: Lauren Gent and Matt Sung
Sent: Friday 30 January 2015
To: Fonterra Project Teams
Subject: Fonterra Indonesia growth opportunities

Good afternoon all,

Our client today is Fonterra Co-operative Group.

Fonterra is one of the world's leading producers of dairy nutrition, collecting and processing 21 billion litres of milk each year from its 10,500 New Zealand farmer shareholders and its strategic milk pools in Chile, China and Australia. In 2013/14 Fonterra exported dairy products to over 140 countries and collected \$23b in revenue. It is responsible for one-third of world dairy exports and is the world's fourth largest dairy company behind Nestle, Danone and Lactalis.

Fonterra was formed in 2001 when New Zealand's two largest dairy co-operatives (Kiwi Co-operative Dairies and the New Zealand Dairy Group) merged with the Dairy Board to form a company that became responsible for the collection, processing and sale of 96 percent of New Zealand's milk. The goal of the merger was to enable the New Zealand dairy industry to better perform internationally by achieving economies of scale in milk collection and manufacturing, and providing efficiencies for New Zealand sourced milk in international markets.

Fonterra has bold growth ambitions. By 2025 it hopes to grow its revenue to \$35b, driven primarily by growth in its brands businesses and growth of milk pools. In doing so, Fonterra aims to collect 30 billion litres of milk a year across six countries and make a difference in the lives of two billion people a day.

Fonterra believes that achieving these ambitious goals will require it to focus its attention across eight key markets – New Zealand, Australia, China, Sri Lanka, Chile, Malaysia, Brazil and Indonesia. While Fonterra currently holds leading positions in New Zealand, Australia, Sri Lanka, Malaysia and Chile, it has just four percent of the Indonesian dairy market and is sixth in terms of market share. Three big multinationals dominate the market, commanding approximately 65 percent of market share between them. Indonesia is a large, growing market that presents many opportunities. By 2025 Fonterra wishes to command a top one or two place in this exciting, fast-growing market.

Such an ambitious goal requires a clear strategy. Fonterra has come to us today to determine the best path forward to ensure it hits its growth targets in Indonesia by 2025. Please prepare a presentation to the Fonterra Indonesia leadership team.

Regards,

Lauren Gent and Matt Sung

AU Consulting Group

Company profile



Dairy for life

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Fonterra Co-operative Group: Background

New Zealand's first dairy cows were brought to New Zealand by the missionary Samuel Marsden in 1814 to provide fresh milk, butter and cheese. New Zealand's natural comparative advantages in the area of pasture growth meant it was well-suited to support dairy production and the industry grew rapidly with production soon outstripping domestic demand.

In 1871, New Zealand's first dairy co-operative was formed – the Otago Peninsula Co-Operative Cheese Factory Company. By 1875, this co-operative had the first factory dairy processing operation in New Zealand, supplying cheese to Dunedin in addition to exporting to Australia.

The invention of refrigerated shipping allowed New Zealand to turn to growing its dairy exports. New Zealand first exported butter to London in 1882, taking advantage of this new technology. Exports of meat outstripped early dairy exports but this was not to be the case for long as offshore demand for New Zealand's dairy products continued to grow. To meet this demand, more and more dairy co-operatives formed across the country. By the 1930s there were over 400 co-operatives across the country.

From early on, the co-operative structure proved popular within the industry. Co-operatives allowed farmers to pool resources and achieve efficiencies in milk collection, processing and sale while also enabling them to have control over business decision making, including decisions concerning returns to be paid for milk supply.

Industry consolidation began through the 1930s and 1950s to enable greater efficiencies to be achieved. The industry also became more efficient through the adoption of improved transportation and refrigeration technologies including whole milk collection by tanker in 1951 and cooling of milk on-farm introduced in 1955. As industry consolidation continued through the 1960s, the 400-plus dairy co-operatives became 168.

Prior to the 1960s, the vast bulk of New Zealand's dairy products were exported to the United Kingdom (UK). In the 1960s the UK started talking about joining the European Economic Community (EEC), which it did in 1973. This forced the Dairy Board to diversify both in terms of finding new export markets and also new products. The industry was to move away from cheeses and butter, the mainstay of its UK exports into the production of milk powders.

The New Zealand government formed the New Zealand Dairy Board in 1923. It was formed partly to regulate the flow of products to avoid gluts and shortages as much as possible. It soon became responsible for marketing the majority of New Zealand's dairy products internationally. By the 1980s, the Dairy Board had 19 subsidiaries and associated companies overseas. This rose to 80 by 1995, to become the world's biggest dairy marketing network.

Throughout this period, the focus on efficiency continued. Co-operatives continued to merge, with just 12 dairy companies existing by 1996. In 1996 the Government transferred the assets of the Dairy Board to the remaining dairy companies to address a disconnect between manufacturing and marketing. This forced the competing co-operatives to work more closely together. Facing the risk of deregulation of the Dairy Board in the 1990s, the industry decided the best way forward was to merge the Dairy Board with the two largest co-operatives (Kiwi Co-Operative Dairies and the New Zealand Dairy Group), creating what was to become the Fonterra Co-operative Group.

At the time of its formation, Fonterra was responsible for the collection, processing and sale of 96 percent of New Zealand's milk. Of this, five percent was sold domestically and 95 percent exported. Today, Fonterra collects approximately 87 percent of all milk produced in New Zealand in addition to collecting milk from its global milk pools in China, Chile and Australia.

The Dairy Industry Restructuring Act (DIRA) was introduced by the New Zealand Government to allow for the amalgamation of Kiwi Co-operative Dairies, the New Zealand Dairy Group and the New Zealand Dairy Board.

To ensure that the new mega co-operative did not behave in an anti-competitive way in the domestic market, the Act includes a number of key provisions. Firstly, Fonterra is required to allow open entry and exit of farmers in to and out of the co-operative, provided those farmers purchase or sell shares in the co-operative as appropriate. Secondly, Fonterra is required to supply up to 5% of its production to domestic competitors, with a default price set by the Act if unable to be agreed. Fonterra is also required to pay its farmer shareholders the maximum sustainable Farmgate Milk Price for the milk that they supply the co-operative. This milk price is determined using a calculation set out in the milk price manual which considers what a notional, efficient competitor who focuses on producing dairy commodities would be able to pay its farmers for their milk.

Today Fonterra is one of the world's largest dairy companies, ranking fourth behind Nestle, Danone and Lactalis in the latest Rabobank Global Dairy Top 20 published in July 2014 (see table below). With the majority of its products sold offshore, Fonterra is the largest exporter of milk products in the world.

Fonterra is also one of the most diversified dairy processing companies in the world. In addition to being a leader in commodity dairy nutrition for export, including milk powders, butter and cheese, Fonterra has substantial interest in consumer-branded businesses. The focus of these is across the Pacific, Latin America and Asia.

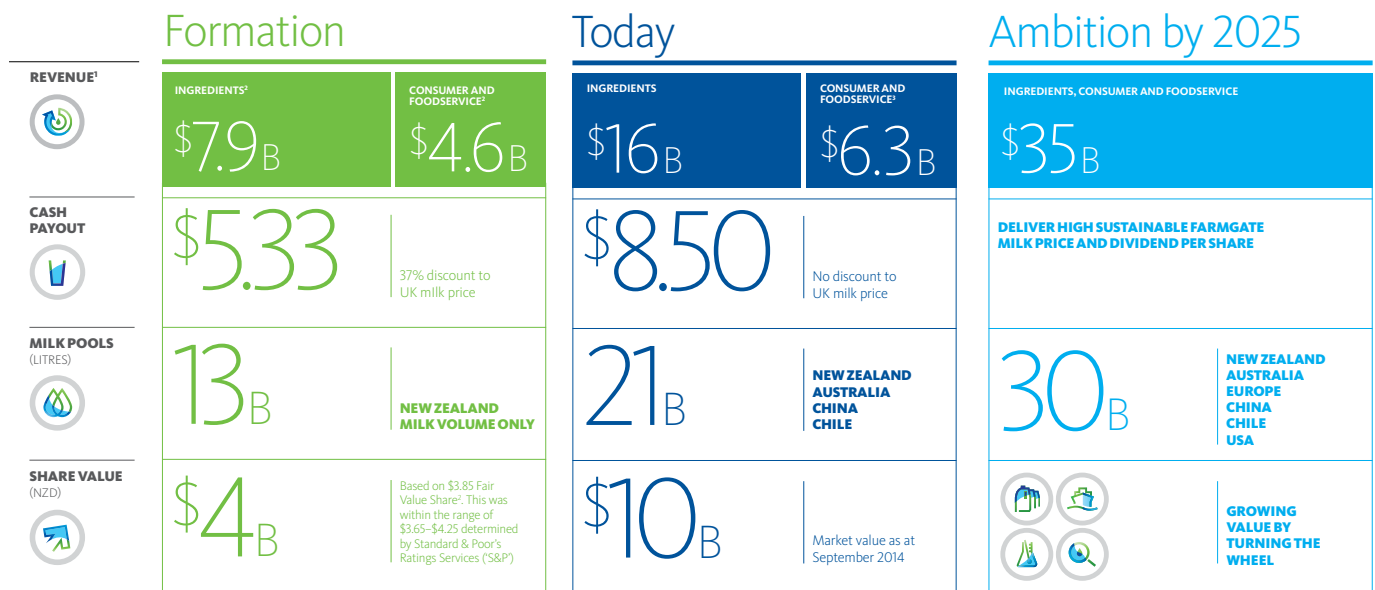
The products within Fonterra's branded business range from milk, cheese and ice-cream to prenatal, infant and growing-up formulas, bone health support and innovative snacks.

Rank 2014	Rank 2013	Company	Headquarters	Dairy Turnover 2013 (USD billion)
1	1	Nestle	Switzerland	28.3
2	2	Danone	France	20.2
3	3	Lactalis	France	19.4
4	4	Fonterra	New Zealand	15.3
5	5	FrieslandCampina	Netherlands	14.9
6	6	Dairy Farmers of America	USA	14.8
7	7	Arla Foods	Denmark/Sweden	12.5
8	9	Saputo	Canada	8.8
9	8	Dean Foods	USA	8.6
10	12	Yili	China	7.6



Fonterra's growth ambitions

In 2015, Fonterra will celebrate 14 years in operation. Since its formation in 2001 it has grown strongly, more than doubling its value, collecting eight billion more litres of milk each year and significantly increasing its revenue.



1 Revenue represents external revenue.

2 For the 31 May 2003 financial year.

3 Oceania, Asia and Latin America business units, excluding inter-segment revenue.

Fonterra is determined to continue this strong growth and has ambitions to increase its milk pools by a further nine billion litres and increase its revenue to \$35 billion by 2025. A key component of achieving this includes developing milk pools outside of New Zealand as a way to grow supply of its raw product, enable end-to-end local production and distribution in international markets, and diversify its exposure to the New Zealand climate. The vast majority of Fonterra's milk is sourced in New Zealand and will continue to be so for the foreseeable future.

In addition to growing its global milk pools, Fonterra also has ambitions to increase the value of the milk products that it exports, as part of its V3 – Volume, Value and Velocity strategy. This means placing a greater emphasis on its consumer brands businesses and foodservice business. Fonterra is seeking to become number one or number two in its eight, core strategic markets and grow its brands business to 40 percent of its total portfolio. Fonterra's B2B portfolio (ingredients including milk powders, fats and proteins) will remain an important emphasis as this enables Fonterra to accommodate growing milk supply to the co-operative. Ultimately, however the aim is to move

more milk into foodservice and consumer products as these command premiums in the market.

Fonterra's strong growth ambitions require investment. Between 2011 and August 2014, Fonterra invested \$658 million to increase its processing capacity and currently has a further \$946 million being invested in either fast-tracked expansion projects to build capacity in powders as well as premium products. Over \$200 million of this is specifically targeted at supporting the growth of foodservice and consumer brands businesses.

The eight strategic markets Fonterra has chosen to focus its attention on to achieve the growth required for its 2025 ambitions are New Zealand, Brazil, Chile, China, Malaysia, Sri Lanka, Singapore and Australia.

Fonterra already leads in New Zealand, Australia, Sri Lanka, Malaysia and Chile and is focused on building scale in Brazil, Indonesia and China. Focus of growth in Fonterra's brands business is on five global brands – Anlene™, Anmum™, Anchor™, NZMP™ and Fonterra™ brands, supported by some strong regional brands where appropriate.



Indonesia

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Indonesia

While Fonterra holds leading positions in five of its eight strategic markets, it has a long way to go to achieve similar positions in Brazil, Indonesia and China. Each of these markets are challenging, however Indonesia presents a number of unique challenges to achieving sustained growth.

Indonesia is located in Southeast Asia and comprises 17,508 islands split into 34 provinces. These islands (with the exception of 6,000 which are uninhabited) are home to 252 million people, making Indonesia the world's fourth most populous country. The population is expected to increase to 320 million by 2030. Indonesia is very diverse with hundreds of different ethnic and linguistic groups. The largest of these is Muslim and the most common language is Javanese. Indonesia is the world's 15th largest country by land area and 7th largest country when sea area is taken into account. 58 percent of the population lives in Java.

Indonesia is has the world's 17th largest nominal GDP (\$928 billion in 2012) and boasts the largest economy in Southeast Asia. While in recent years it has experienced steady economic growth, Indonesia has undergone many periods of rapid economic change across its recent history. The rich/poor gap is increasingly widening in Indonesia and there is widespread poverty. Around 40 percent of the country lives on less than \$2 a day.

The largest industries are the industry sector (46.4 percent of GDP in 2012), services (38.6 percent) and agriculture (14.4 percent). In terms of employment, agriculture is the second largest industry, employing 38.6 percent of the workforce.



Largest cities or towns of Indonesia

Statistics Indonesia (2010)

Rank	Name	Province	Pop.	Rank	Name	Province	Pop.
1	Jakarta	Jakarta	9,588,198	11	South Tangerang	Banten	1,290,322
2	Surabaya	East Java	2,765,487	12	Bogor	West Java	950,334
3	Bandung	West Java	2,394,873	13	Batam	Riau Islands	944,285
4	Bekasi	West Java	2,334,871	14	Pekanbaru	Riau	897,767
5	Medan	North Sumatra	2,097,610	15	Bandar Lampung	Lampung	881,801
6	Tangerang	Banten	1,798,601	16	Padang	West Sumatra	833,562
7	Depok	West Java	1,738,570	17	Malang	East Java	820,243
8	Semarang	Central Java	1,555,984	18	Denpasar	Bali	788,589
9	Palembang	South Sumatra	1,455,284	19	Samarinda	East Kalimantan	727,500
10	Makassar	South Sulawesi	1,338,663	20	Tasikmalaya	West Java	635,464

Indonesia's dairy industry

Indonesia has a relatively small domestic dairy industry with around 500,000 dairy cows producing roughly 930,000 tonnes of milk. 97 percent of all cows are located on the Island of Java. From this small base, Indonesia's milk production is increasing steadily, aided by government subsidies to encourage purchasing of dairy cows. Growth of the domestic industry is hampered by a number of factors including scarcity of stock feed, small farm size, low productivity, low milk quality, poor herd management, lack of technology, limited farmer education and limited access to modern farming and processing technologies. The Indonesian government has a stated goal to achieve at least 50 percent self-sufficiency in milk supply. This requires a 30 percent increase in its 2010 volumes. To achieve this, the focus is on increasing milk consumption from ten to 15 litres per capita and increasing supply and farmer income through subsidies, training and education. Indonesia has one of the fastest growing rates of milk consumption in Asia.

Modern retail markets including hypermarkets, supermarkets and convenience stores are expanding rapidly in Indonesia, especially for milk powder products. However, traditional grocery stores continue to dominate. The more modern retailers are most frequented by upper and middle class individuals, while traditional shops are most frequented by middle and low class consumers. Traditional shops tend to be serviced by wholesalers whereas the modern retailers buy direct from manufacturers. See appendix 10.

Drinking milk products in Indonesia

- Value growth in 2014 is around 14 percent driven in large part by increased awareness of the benefits of drinking milk especially among middle to high income individuals.
- Flavoured milks are posting the strongest value growth, growing 19 percent in 2014.
- Adult drinking milk products account for 98 percent of the drinking milk products market, as parents prefer to give their children powdered milk formula. Nevertheless, several of the large players are developing liquid milks targeted at children.
- Due to the lack of refrigeration across much of the country, ambient products such as UHT milk dominates.
- The five top players are Nestle, Frisian Flag, Ultrajaya Milk Industry & Trading Co, Indolakto and Fonterra Brands Indonesia – together these firms account for 78 percent of the market by value. Competition is steadily intensifying from a number of small players, however. The large players continue to benefit from a longstanding presence in the market, wide distribution networks, intensive marketing activities and new product launches. All key brands are seen as producers of high quality products.
- Fonterra's key markets are in the fortified milk products under its brands Anmum, Anlene and Prolene.

- Milk powders have approximately 60 percent of the Indonesian market however liquid milk is growing strongly as the population becomes wealthier.
- See appendix 3

Baby food

- Baby food is growing at around 15 percent a year. Special lactose-free baby milk is growing especially quickly due to an increase in lactose-intolerant children. Nestle, with its extensive product portfolio, dominates this market.
- See appendix 4

Ice-cream

- Ice-cream is one of the strongest growing dairy segments in Indonesia, with 19 percent growth in 2013. This market is dominated by Unilever, which has approximately 65 percent market share. Volume growth has been supported by big investments in advertising and new product launches by incumbents.
- See appendix 5

Yoghurt and sour milk products

- This category is growing strongly, again driven by rising health awareness of the benefits of dairy, particularly among middle and upper class segments.
- See appendix 6

Cheese

- Cheese has grown around 14 percent in Indonesia in 2014. Cheese is being used increasingly in homemade meals which have helped drive demand. Kraft Ultrajaya Indonesia commands a 61 percent market share.

Oils and fats

- This market is dominated by vegetable and seed oils, particularly due to the attractive price of these products. Consumers are becoming aware of the benefits of healthier oils and marketing by key competitors in this space is increasingly embracing this trend.
- See appendix 7

Other dairy in Indonesia

- Key categories in the 'other dairy' space in Indonesia include condensed and evaporated milks, coffee whiteners and cream.
- See appendix 8



Key challenges in Indonesia

With over 17,000 islands, distribution of perishable dairy produce is a challenge in Indonesia. Most of the distribution is based around regional depots and seaports. Transportation is particularly hampered by the limited use of refrigerated distribution. This hampers efforts to distribute perishable dairy

products such as fresh milk, butter, cheese and yoghurts. While Indolakto Frisian Flag and Tigaraksa have their own distribution networks in Indonesia, other companies, including Fonterra, rely on working with multiple distributors across the country.

Fonterra's current position in Indonesia

Fonterra currently holds an approximately four percent share of the Indonesian dairy market and is number six by market share. The largest three players, Nestle, Danone and Friesland, hold 25 percent, 21 percent and 21 percent market share, respectively.

Fonterra has entered late into the Indonesian market compared to the competitors and is challenged by a less efficient supply chain and distribution. Competitors have up to six times more reach than Fonterra, reaching up to 350,000 outlets, while Fonterra reaches just 65,000. A little over half of this reaches consumers through traditional trade. Fonterra's competitors tend to reach the majority of their customers through modern trade distributors.

Fonterra's brands in Indonesia include Anlene, NZMP, Anchor, Boneeto, and PediaPro.



Since 1886, Anchor has been providing the goodness of dairy straight from the farm to families around the globe, through its range of powdered milk, ready-to-drink milks, yoghurts, cheeses and butter.



A range of powdered and UHT milks that are formulated with nutrients for kids to grow big and strong.



Launched in Asia in 1991, Anlene is now the market-leading brand in the fight against the crippling disease of osteoporosis. Anlene is clinically proven to reduce bone loss. Its mission is to raise awareness of osteoporosis so people can take steps to prevent it through better nutrition and exercise. Anlene conducts free bone scans across Asia and partners with local osteoporosis societies around the world to help raise awareness of maintaining bone health. Anlene is complete with essential nutrients such as calcium (more than in regular fresh milk), milk protein, vitamin D, magnesium and zinc. Anlene's range of products include milk powder, liquid milk (UHT and pasteurised), yoghurt, soy milk and malted powder.



Annum offers a full range of dairy products to meet the nutritional needs of mothers and babies. Whether the woman is pregnant, breastfeeding or looking for nutritional options for her baby or young child, Annum offers a high quality option. Backed by rigorous scientific research, Annum products are formulated with essential nutrients such as folate, Gangliosides (GA), SA, DHA and essential fatty acids and iron, which are scientifically proven to play a role in the brain development of infants and children.



NZMP is Fonterra's B2B brand, selling a wide range of milk powders, cheeses, proteins, fats and specialty products around the world.



Fonterra's foodservice business delivers exciting new tastes and products for chefs, bakers, caterers, commercial kitchens, hotels, restaurants, quick service restaurants and cafes. Fonterra offers a wide range of foodservice products including cheese, butter, cream cheese, yoghurt, cream and beverages. Fonterra's focus is on finding chef-led solutions that will improve productivity in the kitchen, increase yield, reduce wastage, improve nutritional outcomes, enhance taste and texture and deliver new menu options.

Fonterra is involved with a number of community initiatives in Indonesia. It is partnered with ChildFund to help support children's nutrition, health and education activities at early childhood education programmes. Fonterra also works in partnership with the Indonesian government to improve the

capability and capacity of the local dairy industry, including providing scholarship training programmes to individuals working within the agricultural industry in partnership with the Indonesian government, Massey University and the Taratahi Agricultural Training Centre.

Key competitors

The top four players in the Indonesian market ahead of Fonterra are Friesland Flag, Nestle, Indolakto and Ultrajaya Milk Industry & Trading Co. Danone follows Fonterra as the sixth largest dairy company in Indonesia by market share.

1. Friesland Flag

- Friesland Flag is primarily a manufacturer of dairy-based nutritional products for children in Indonesia. It is part of FrieslandCampina, one of the world's largest dairy companies. It has been active in Indonesia for close to 90 years. It processes 600 million litres of milk each year in its two production sites, turning this into long-life products including powdered milk, long-life drinking milk and sweetened, condensed milk. Some, but not all milk supply comes from local suppliers. Friesland Flag has its own distribution company in Indonesia.

2. Nestle

- Nestle has a factory in Waru, East Java, which has been purchasing milk from local co-operatives since 1975. It is now supplied by approximately 27 local co-operatives. Each day it collects and processes 480 tonnes of milk (141,000 tonnes per annum). While the vast majority of its trade is through modern retailers, it still reaches some customers through traditional shops and kiosks.

3. Indolakto

- Indolakto has the most extensive distribution network in Indonesia through its own distribution company. It distributes third party products in addition to its own. Its focus is on serving its markets as quickly as possible.

4. Ultrajaya Milk Industry & Trading Co

- Ultrajaya sources and processes its milk in Indonesia. It currently has capacity to process 100 million litres of milk a year. Ultrajaya has partnerships with Kraft for processed cheese production and a Japanese firm for infant formula production. It covers 90 percent of retailers and distributors Indonesia-wide and has its own distribution and storage warehouses.

5. Danone

- Danone entered the Indonesian market in 1998 through an alliance with an Indonesian bottled water company. It acquired a company called Numico in 2007 to enable it to gain a foothold in baby nutrition. In 2004, Danone launched long-life products targeted at young children which gained 84 percent share in its target segments in less than seven years. Danone opened a plant in Indonesia in 2007 near Jakarta allowing it to also offer fresh dairy products. In 2009, Danone introduced a brand to target lower class Indonesians.



Looking forward

Fonterra wishes to become a top one or two player in Indonesia to support its ambitious growth targets for 2025. Indonesia is a dynamic, diverse and challenging market and a clear strategy for moving forward will be essential to achieving this goal.

What is the best strategy for Fonterra for pursuing growth in Indonesia? What should Fonterra stop, start and continue to ensure it succeeds?



TO
**THE
FUTURE**



Selected
press releases



Fonterra begins construction on new IDR357 billion plant in Indonesia

27 March 2014

Fonterra today commenced construction on its first blending and packing plant in Indonesia, which will support the growth of its market leading consumer brands Anlene, Annum and Anchor Boneeto.

Located in West Java, the plant is Fonterra's first manufacturing facility in the country and its largest investment in a new manufacturing facility in ASEAN in the last 10 years.

Director General of Agro Industry at the Ministry of Industry, Panggah Susanto, joined Fonterra at an event in Jakarta to mark the official start of construction today.

Pascal De Petrini, Managing Director of Fonterra Asia Pacific, Middle East & Africa (APMEA), said that Fonterra Brands Manufacturing Indonesia Cikarang Plant will allow Fonterra to meet the ever-growing demand for dairy nutrition in Indonesia.

"Demand for dairy in Indonesia is expected to grow by around 5 per cent each year to 2020, and our investment in this facility will help support this growth.

"This new blending and packing facility is the next step for our business in Indonesia, where we already have a strong and established presence. The investment will support the local expansion of Fonterra's consumer brands, and increase our on-ground capabilities which are critical to the long-term growth of our business," said Mr De Petrini.

The plant is expected to be operational by March 2015 and will create at least 150 full-time positions in the Cikarang and wider Bekasi regency communities where it is based.

Once complete, the plant will have the capacity to pack and blend 12,000 tonnes of advanced and base nutrition milk powder products annually, which is the equivalent to about 87,000

packs of Anlene, Annum, and Anchor Boneeto every day.

Paul Richards, President Director, Fonterra Brands Indonesia, said that as well as the financial investment, Fonterra Brands Manufacturing Indonesia Cikarang Plant will bring Fonterra's world-class dairy manufacturing in design standards, knowledge, expertise and technology from New Zealand to Indonesia.

"It will also provide local staff with training and development opportunities in advanced food safety, quality and operational standards.

"We are investing in building the right infrastructure and developing local capabilities to produce our trusted portfolio of brands and meet the ever-growing demand for dairy in Indonesia," said Mr Richards.

Indonesia has been an important part of New Zealand's global dairy trade for more than 30 years, when New Zealand began selling bulk dairy ingredients to Indonesian companies.

Currently, Indonesians consume 11 liters of milk per capita, which is well below the average consumption of neighbouring nations such as Singapore where consumption is 51 liters per capita.

"We are firmly committed to working closely with government, industry and community partners to make quality dairy nutrition available to everybody, every day, and today's announcement is our next step in that commitment," said Mr Richards.

Fonterra Brands Indonesia is amongst the fastest growing companies in Fonterra, and is one of the largest contributors to Fonterra's Asian business. Fonterra has 194 staff working with distribution and retail partners to make high quality dairy products available in more than 60,000 Indonesian outlets.

Fonterra in uphill battle to add value

1 October 2014

Fonterra is the second-largest milk processor in the world but it trails many of its peers in adding value, according to new research.

The International Farm Comparison Network (IFCN) top 20 milk processor list placed Fonterra behind only Dairy Farmers of America (DFA) in milk intake, with 22 million tons of milk equivalents collected this year.

This was 2.9 per cent of the world's total milk production and placed it well ahead of dairy giants such as Nestle, which collected an estimated 14 million to 15 million tons, and infant formula company Nutricia's owner Danone, which collected an estimated 8 million to 9 million tons.

But Fonterra did not score so well on estimated turnover of milk, an indication of the added value created per kilogram of milk.

The co-operative's turnover of US\$0.7 per kg was lower than 13 of the other companies in the top 20, while Danone topped the list with an estimated turnover of US\$1.90 a kg.

According to the report, companies that are more active in branded consumer products (such as Nestle and Danone) have higher turnover per kilogram of milk than co-operatives.

Commentators say transitioning Fonterra's business model towards branded consumer products would not be easy.

Waikato University agribusiness professor Jacqueline Rowarth said Fonterra was "giving stuff to other people to brand".

She said New Zealand's biggest company faced similar challenges to DFA, which was at the bottom of the list for value-added with a turnover of only US\$0.5 per kg.

"We shouldn't be beating up Fonterra. How can you add value when you aren't subsidised, you have a high minimum wage and environmental compliance?"

"It's very expensive to do stuff in New Zealand. How do you overcome that? With great difficulty."

Lincoln University professor of farm management and agribusiness Keith Woodford said it was unfair to compare Fonterra to companies like Nestle.

It would be more realistic to compare it to the payouts from local dairy firms such as Tatua and Synlait.

"Someone like Fonterra is never going to show up well in that measure."

Woodford said Fonterra faced a number of challenges in adding value, including the capital required and the seasonality of the milk supply, an issue with perishable products such as yoghurt.

Milford Asset Management executive director Brian Gaynor said Fonterra's structure was oriented towards production.

"When you have to take every litre of milk offered to you and there's a big increase in production you have to spend money on production facilities and steel containers to store milk," he said. "Danone and Nestle can take as much milk as they want to."

Gaynor said Fonterra was set up this way because of its monopoly position in the New Zealand market.

Fonterra spokesman G J Thompson said the company needed to create more value and "turn the wheel" but it could not ignore or play down the value of its commodity business.

"We need the aircraft carrier (commodity) to carry the planes (value add)," he said. "This is the ticket to the game. It gives us scale - without that we cannot compete."

The Dominion Post



A large, light gray decorative flourish with symmetrical, swirling patterns frames the word "Appendices".

Appendices

Appendix 1: Group overview

NORMALISED EBIT (NZD)

\$269M

GLOBAL INGREDIENTS & OPERATIONS

\$31M

OCEANIA

\$91M

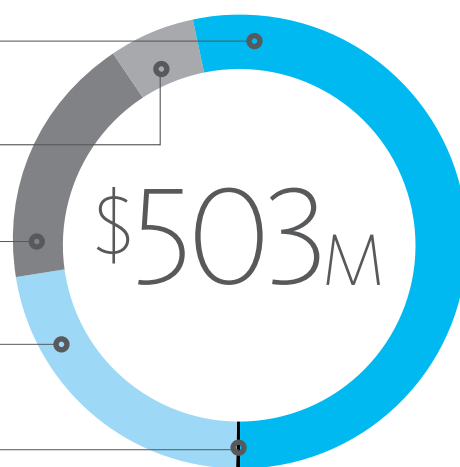
ASIA

\$111M

LATIN AMERICA

\$1M

INTER-SEGMENT



REVENUE (NZD BILLION)

25

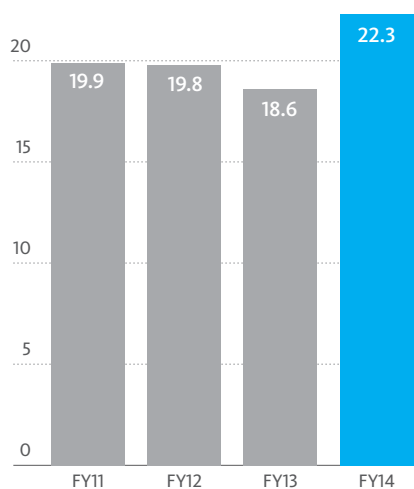
20

15

10

5

0



VOLUME ('000 MT)

3,965_{MT}

REVENUE (NZD)

\$22.3_B

NET PROFIT AFTER TAX (NZD)

\$179_M

FINAL CASH PAYOUT (NZD)

\$8.50

EARNINGS PER SHARE (NZD)

10_{CPS}

DIVIDEND PER SHARE (NZD)

10_{CPS}

Fonterra refers to normalised segment earnings, normalised EBIT, EBIT, EBITDA, constant currency variances, normalisation adjustments and Payout when discussing financial performance. These are non-GAAP financial measures and are not prepared in accordance with IFRS. Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They are used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with IFRS. Please refer to page 86 for the reconciliation of the NZ IFRS measures to the non-GAAP measures and to page 87 for definitions of the non-GAAP measures used by Fonterra.

Appendix 2: Financial data

KEY FINANCIALS

NZD MILLION	YEAR ENDED 31 JULY 2014	YEAR ENDED 31 JULY 2013	CHANGE
Volume ('000 MT)	3,965	3,958	
Revenue	22,275	18,643	19%
Gross margin	2,462	3,032	(19%)
<i>Gross margin percentage</i>	<i>11.1%</i>	<i>16.3%</i>	
Operating expenses	(2,210)	(2,256)	(2%)
EBIT	503	937	(46%)
Normalised EBIT	503	1,002	(50%)
<i>Normalised EBIT percentage</i>	<i>2.3%</i>	<i>5.4%</i>	
Net profit after tax	179	736	(76%)
Earnings per share (cents per share)	10	44	(77%)
Milk collected 2013/14 season (million kgMS)	1,584	1,463	8%
Operating cash flows	1,367	997	37%
Investing cash flows	(1,009)	(868)	16%
Economic debt to debt plus equity ratio	42.3%	39.6%	
Return on capital employed	4.5%	8.8%	

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2014

	NOTES	GROUP \$ MILLION		PARENT \$ MILLION	
		31 JULY 2014	31 JULY 2013	31 JULY 2014	31 JULY 2013
Revenue from sale of goods		22,275	18,643	13,243	8,649
Dividends received		–	–	364	264
Total revenue		22,275	18,643	13,607	8,913
Cost of goods sold	1	(19,813)	(15,611)	(13,243)	(8,649)
Gross profit		2,462	3,032	364	264
Other operating income		139	105	58	55
Selling and marketing expenses		(593)	(622)	(21)	(13)
Distribution expenses		(499)	(514)	–	–
Administrative expenses		(762)	(766)	(262)	(240)
Other operating expenses		(356)	(354)	(80)	(56)
Net foreign exchange gains/(losses)	3	39	(7)	–	–
Share of profit of equity accounted investees	11	73	63	–	–
Profit before net finance costs and tax	2	503	937	59	10
Finance income	4	13	25	290	276
Finance costs	4	(379)	(294)	(323)	(251)
Net finance (costs)/income		(366)	(269)	(33)	25
Profit before tax		137	668	26	35
Tax credit	5	42	68	141	195
Profit after tax		179	736	167	230
Profit after tax is attributable to:					
Equity holders of the Parent		157	718	167	230
Non-controlling interests		22	18	–	–
Profit after tax		179	736	167	230

		GROUP \$	
		31 JULY 2014	31 JULY 2013
Earnings per share:			
Basic and diluted earnings per share	24	0.10	0.44

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2014

	GROUP \$ MILLION		PARENT \$ MILLION	
	31 JULY 2014	31 JULY 2013	31 JULY 2014	31 JULY 2013
Cash flows from operating activities				
Profit before net finance costs and tax	503	937	59	10
Adjustments for:				
Foreign exchange losses	11	1	-	-
Depreciation and amortisation	538	530	49	45
Movement in provisions	132	(17)	(16)	(8)
Other	(41)	(16)	(363)	(264)
	640	498	(330)	(227)
(Increase)/decrease in working capital:				
Inventories	(757)	(43)	-	-
Trade and other receivables	(111)	38	1	(3)
Amounts owing to suppliers	1,060	(410)	1,050	(396)
Payables and accruals	111	68	-	18
Other movements	(28)	(8)	30	-
Total	275	(355)	1,081	(381)
Cash generated from operations	1,418	1,080	810	(598)
Net taxes paid	(51)	(83)	-	-
Net cash flows from operating activities	1,367	997	810	(598)
Cash flows from investing activities				
Cash was provided from:				
- Proceeds from sale of Group entities and other business operations	46	5	-	-
- Proceeds from disposal of property, plant and equipment	12	22	-	-
- Net loans from Group entities	-	-	-	654
- Other cash inflows	21	5	-	-
Cash was applied to:				
- Acquisition of Group entities and other business operations	(18)	(49)	-	-
- Acquisition of available-for-sale investments	(78)	-	-	-
- Acquisition of property, plant and equipment	(791)	(701)	(27)	(27)
- Acquisition of intangible assets	(102)	(147)	(31)	(26)
- Net loans to Group entities	-	-	(557)	-
- Other cash outflows	(99)	(3)	-	-
Net cash flows from investing activities	(1,009)	(868)	(615)	601
Cash flows from financing activities				
Cash was provided from:				
- Proceeds from borrowings	4,241	3,188	3,788	2,914
- Proceeds from issue of equity instruments	-	653	-	611
- Proceeds for equity instruments not yet issued	-	-	-	42
- Interest received	13	26	8	13
- Other cash inflows	8	3	-	-
Cash was applied to:				
- Interest paid	(332)	(334)	(279)	(297)
- Repayment of borrowings	(3,894)	(3,268)	(3,382)	(2,998)
- Settlement of borrowing derivatives	(24)	-	-	-
- Surrendered/cancelled equity instruments	-	(475)	-	(475)
- Dividends paid to non-controlling interests	(16)	(14)	-	-
- Dividends paid to equity holders of the Parent	(336)	(546)	(336)	(546)
- Equity transaction costs	-	(18)	-	(18)
- Other cash outflows	-	(1)	-	-
Net cash flows from financing activities	(340)	(786)	(201)	(754)
Net increase/(decrease) in cash and cash equivalents	18	(657)	(6)	(751)
Cash and cash equivalents at the beginning of the year	329	991	42	793
Effect of exchange rate changes on cash balances	(28)	(5)	-	-
Cash and cash equivalents at the end of the year	319	329	36	42
Reconciliation of closing cash balances to the statement of financial position:				
Cash and cash equivalents	340	330	36	42
Bank overdraft	(21)	(1)	-	-
Closing cash balances	319	329	36	42

Parent undertakes financing activities for the Group. As a result receipts and payments from and to subsidiaries for operating and financing activities (including dividends) are settled on a net basis and presented in investing activities as net loans from Group entities.

The accompanying notes form part of these financial statements.

FIVE YEAR SUMMARY

	JULY 2014	JULY 2013	JULY 2012	JULY 2011	JULY 2010
SHAREHOLDER SUPPLIER RETURNS					
Payout					
Farmgate Milk Price (per kgMS) ¹	8.40	5.84	6.08	7.60	6.10
Dividend (per share)	0.10	0.32	0.32	0.30	0.27
Cash payout ²	8.50	6.16	6.40	7.90	6.37
Retentions (per share) ³	–	0.14	0.10	0.25	0.23
OPERATING PERFORMANCE					
Average commodity prices (US\$ per MT FOB)					
Whole Milk Powder ⁴	4,827	3,394	3,359	3,606	2,905
Skim Milk Powder ⁴	4,509	3,625	3,285	3,321	2,658
Butter ⁴	3,920	3,550	3,546	4,344	3,033
Cheese ⁵	4,706	4,124	3,498	4,285	3,819
Average NZD/USD spot exchange rate applying throughout the year ⁶	0.84	0.82	0.80	0.77	0.71
Fonterra's average NZD/USD conversion rate ⁷	0.81	0.80	0.77	0.72	0.67
Revenue (\$ million)					
Ingredients and other revenue	17,748	13,926	14,824	14,623	11,818
Consumer revenue	4,527	4,717	4,945	5,248	4,908
Total revenue	22,275	18,643	19,769	19,871	16,726
Dairy ingredients manufactured in New Zealand (000s MT)	2,519	2,312	2,353	2,143	2,058
Total ingredients sales volume (000s MT)	2,800	2,765	2,660	2,486	2,392
Segment earnings (\$ million)⁸					
New Zealand Milk Products	269	480	477	419	496
Oceania	31	93	218	278	299
Asia	91	207	182	193	176
Latin America	111	137	124	121	107
Eliminations	1	20	(14)	17	–
Segment earnings	503	937	987	1,028	1,078
Normalisation adjustments	–	65	41	(23)	(174)
Normalised segment earnings	503	1,002	1,028	1,005	904
Profit for the year attributable to shareholders (\$ million)	157	718	609	754	669
Earnings per share⁹	0.10	0.44	0.41	0.53	0.50

1 From the beginning of the 2009 season the Farmgate Milk Price has been determined by the Board. In making that determination, the Board takes into account the Farmgate Milk Price calculated in accordance with the principles set out in the Farmgate Milk Price Manual which is independently audited.

2 Average Payout for a 100% share-backed supplier.

3 Retentions are calculated as net profit after tax attributable to Co-operative shareholders at 31 July divided by the number of shares at 31 May, less dividend per share.

4 Source: Fonterra Farmgate Milk Price Statement representing the weighted-average United States Dollars (USD) contract prices of Reference Commodity Products.

5 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.

6 Average spot exchange rate is the average of the daily spot rates for the financial period.

7 Fonterra's average conversion rate is the rate that Fonterra has converted net United States dollar receipts into New Zealand dollars based on the hedge cover in place.

8 Represents segment earnings before unallocated finance income, finance costs and tax. The year ended 31 July 2012 has been restated to reflect changes to the organisation of business units within reported segments which occurred in the year ended 31 July 2013. The years ended 31 July 2011 and 31 July 2010 have been restated to reflect changes to the organisation of business units within reported segments which occurred in the year ended 31 July 2012.

9 On 27 February 2013, Fonterra announced a non-cash bonus issue of one share for every 40 shares held. The bonus issue increased the number of shares on issue by 40.4 million. The record date for the bonus issue was 12 April 2013 and the issue date was 24 April 2013. Earnings per share for the years ended 31 July 2012, 31 July 2011 and 31 July 2010 have been restated as if the bonus issue was effective at the beginning of the periods presented.

FIVE YEAR SUMMARY CONTINUED

	JULY 2014	JULY 2013	JULY 2012	JULY 2011	JULY 2010
CAPITAL EMPLOYED (\$ million)					
Total assets employed	15,529	14,373	15,117	15,530	14,169
Average net assets ¹⁰	10,860	11,135	10,900	10,772	10,433
Total equity	6,534	6,748	6,655	6,541	5,667
Equity excluding cash flow hedge reserve	6,452	6,830	6,592	6,025	5,526
Net interest bearing debt	4,498	4,227	3,833	3,766	4,268
Economic net interest bearing debt ¹¹	4,732	4,467	4,229	4,331	4,494
Return on net assets ¹⁰	4.6%	9.0%	9.4%	9.3%	8.7%
Headline debt to debt plus equity ratio ¹²	41.1%	38.2%	36.8%	38.5%	43.6%
Economic debt to debt plus equity ratio ¹²	42.3%	39.6%	39.1%	41.8%	44.9%

	JULY 2014	JULY 2013	JULY 2012	JULY 2011	JULY 2010
STAFF EMPLOYED					
Total staff employed (000s, permanent full time equivalents)	18.2	17.5	17.3	16.8	15.8
New Zealand	11.4	11.2	11.0	10.8	9.8
Overseas	6.8	6.3	6.3	6.0	6.0

	JULY 2014	JULY 2013	JULY 2012	JULY 2011	JULY 2010
SEASON STATISTICS¹³					
Total NZ milk collected (million litres)	17,932	16,673	16,951	15,427	14,746
Highest daily volume collected (million litres)	87.1	84.8	81.2	76.8	72.3
NZ shareholder supply milksolids collected (million kgMS)	1,533	1,424	1,463	1,320	1,256
NZ contract supply milksolids collected (million kgMS)	51	39	30	26	30
NZ milksolids collected (million kgMS)	1,584	1,463	1,493	1,346	1,286
Total number of shareholders at 31 May	10,721	10,668	10,578	10,485	10,463
Total number of sharemilkers at 31 May	3,398	3,449	3,595	3,928	3,733
Total number of shares at 31 May (million)	1,598	1,598	1,433	1,377	1,343

¹⁰ Return on net assets (RONA) is derived by dividing normalised EBIT (as reported in financial statements) by 13 month average net assets (excluding net debt and deferred tax).

¹¹ Economic net interest bearing debt reflects the effect of debt hedging in place at balance date.

¹² Headline debt to debt plus equity ratio is before taking account of the effect of debt hedging. Economic debt to debt plus equity includes the effect of debt hedging.

¹³ All season statistics are based on the 12 month milk season of 1 June – 31 May.

6 SEGMENT REPORTING

The Group operates predominantly in the international dairy industry.

The Group has four reportable segments that are defined by product type and geographic area to reflect how the Group's operations are managed.

The reportable segments presented reflect the Group's management and reporting structure as viewed by the Fonterra Management Team, which is the Group's chief operating decision maker.

During the year ended 31 July 2013, transactions between segments were based on estimated market prices. During the year ended 31 July 2014, transactions between segments were based on estimated market prices adjusted for the difference between the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual and that determined by the Board.

REPORTABLE SEGMENT	DESCRIPTION
New Zealand Milk Products (NZMP)	Represents the collection, processing and distribution of New Zealand milk, global sales and marketing of New Zealand and non-New Zealand milk products (including North Asia), Global Brands & Nutrition, Co-operative Affairs and Group Services.
Oceania (formerly ANZ)	Represents Fast Moving Consumer Goods (FMCG) businesses in New Zealand (including export to the Pacific Islands) and all FMCG and ingredients businesses in Australia (including Milk Supply and Manufacturing). It includes foodservice sales in Australia and New Zealand (except for foodservice sales to Quick Service Restaurants), and RD1.
Asia (formerly Asia/AME)	Represents FMCG and foodservice businesses in Asia (excluding North Asia), Africa and the Middle East and China. It includes international farming ventures in China.
Latin America (Latam)	Represents FMCG businesses in Chile and equity accounted investments in South America. It includes international farming ventures in South America.

a) Segment income

	GROUP \$ MILLION					TOTAL GROUP
	NZMP	OCEANIA	ASIA	LATAM	ELIMINATIONS	
Segment income statement						
<i>Year ended 31 July 2014</i>						
External revenue	16,044	2,979	2,149	1,103	–	22,275
Inter-segment revenue	1,997	621	19	58	(2,695)	–
Revenue from sale of goods	18,041	3,600	2,168	1,161	(2,695)	22,275
Cost of goods sold	(17,011)	(3,017)	(1,587)	(894)	2,696	(19,813)
Segment gross profit	1,030	583	581	267	1	2,462
Selling and marketing expenses	(105)	(137)	(299)	(52)	–	(593)
Distribution expenses	(184)	(182)	(38)	(95)	–	(499)
Administrative and other operating expenses	(671)	(255)	(168)	(51)	27	(1,118)
Segment operating expenses	(960)	(574)	(505)	(198)	27	(2,210)
Net other operating income	95	18	27	26	(27)	139
Net foreign exchange gains/(losses)	50	(1)	(12)	2	–	39
Share of profit of equity accounted investees	54	5	–	14	–	73
Segment earnings before net finance costs and tax	269	31	91	111	1	503
Finance income						13
Finance costs						(379)
Profit before tax						137
Profit before tax includes the following amounts:						
Depreciation	(323)	(72)	(16)	(26)	–	(437)
Amortisation	(75)	(22)	(3)	(1)	–	(101)
Other income from equity accounted investees	–	2	–	24	–	26
Segment asset information:						
<i>As at and for the year ended 31 July 2014</i>						
Equity accounted investments	218	36	–	134	–	388
Capital expenditure	602	93	153	44	–	892

a) **Segment income** CONTINUED

	GROUP \$ MILLION					TOTAL GROUP
	NZMP	OCEANIA	ASIA	LATAM	ELIMINATIONS	
Segment income statement						
<i>Year ended 31 July 2013</i>						
External revenue	12,358	3,101	2,057	1,127	–	18,643
Inter-segment revenue	1,559	644	2	8	(2,213)	–
Revenue from sale of goods	13,917	3,745	2,059	1,135	(2,213)	18,643
Cost of goods sold	(12,666)	(2,989)	(1,357)	(832)	2,233	(15,611)
Segment gross profit	1,251	756	702	303	20	3,032
Selling and marketing expenses	(89)	(150)	(324)	(59)	–	(622)
Distribution expenses	(188)	(203)	(42)	(81)	–	(514)
Administrative and other operating expenses	(615)	(324)	(153)	(51)	23	(1,120)
Segment operating expenses	(892)	(677)	(519)	(191)	23	(2,256)
Net other operating income	69	11	24	24	(23)	105
Foreign exchange losses	(7)	–	–	–	–	(7)
Share of profit of equity accounted investees	59	3	–	1	–	63
Segment earnings before net finance costs and tax	480	93	207	137	20	937
Normalisation adjustments	14	49	2	–	–	65
Normalised segment earnings before net finance costs and tax	494	142	209	137	20	1,002
Normalisation adjustments						(65)
Finance income						25
Finance costs						(294)
Profit before tax						668
Profit before tax includes the following amounts:						
Depreciation	(320)	(83)	(14)	(27)	–	(444)
Amortisation	(68)	(13)	(4)	(1)	–	(86)
Other income from equity accounted investees	3	2	–	24	–	29
Normalisation adjustments consist of the following amounts:						
Costs associated with closure of Cororooke plant in Australia	–	30	–	–	–	30
Restructuring costs associated with the Group Strategy						
Right-Sizing	14	19	5	–	–	38
Other	–	–	(3)	–	–	(3)
Total normalisation adjustments¹	14	49	2	–	–	65
Segment asset information:						
<i>As at and for the year ended 31 July 2013</i>						
Equity accounted investments	218	31	–	200	–	449
Capital expenditure	683	144	70	29	–	926

1 Of the \$65 million normalisation adjustments, \$47 million related to operating expenses and \$18 million to cost of goods sold.

6 SEGMENT REPORTING CONTINUED

b) Revenue

	GROUP \$ MILLION	
	31 JULY 2014	31 JULY 2013
<i>Entity wide products and services:</i>		
Consumer goods	4,527	4,717
Ingredients and other revenue	17,748	13,926
Revenue from sale of goods	22,275	18,643

	GROUP \$ MILLION								
	EUROPE	CHINA	REST OF ASIA	AUSTRALIA	NEW ZEALAND	USA	LATAM	REST OF WORLD	TOTAL
<i>Geographical segment external revenue:</i>									
Year ended 31 July 2014	946	5,537	5,787	1,666	2,162	1,014	1,802	3,361	22,275
Year ended 31 July 2013	1,096	2,500	5,216	1,850	1,986	1,415	1,984	2,596	18,643

Revenue is allocated to geographical segments on the basis of the destination of the goods sold.

c) Non-current assets

	GROUP \$ MILLION							TOTAL
	NZMP		OCEANIA		ASIA	LATAM		
	NEW ZEALAND	REST OF WORLD	NEW ZEALAND	AUSTRALIA				
<i>Geographical segment reportable non-current assets:</i>								
As at 31 July 2014		4,300	383	1,387	1,022	1,123	445	8,660
As at 31 July 2013		4,199	303	1,350	1,047	940	544	8,383

	GROUP \$ MILLION	
	AS AT 31 JULY 2014	AS AT 31 JULY 2013
<i>Reconciliation of geographical segment non-current assets to total non-current assets:</i>		
Geographical segment non-current assets	8,660	8,383
Deferred tax asset	231	217
Derivative financial instruments	154	127
Total non-current assets	9,045	8,727

Appendix 3: Key Indonesian market statistics – drinking milk

Sales of Drinking Milk Products by Category: Volume 2009 – 2014 (data given in Metric Tonnes)

	2009	2010	2011	2012	2013	2014
Flavoured Milk Drinks	125,153.7	138,920.6	152,812.6	177,262.7	197,647.9	219,586.8
- Dairy Only Flavoured Milk Drinks	125,153.7	138,920.6	152,812.6	177,262.7	197,647.9	219,586.8
- Flavoured Milk Drinks with Fruit Juice	-	-	-	-	-	-
Flavoured Powder Milk Drinks	65,057.9	69,429.7	74,282.1	79,110.1	84,022.4	88,971.2
- Chocolate-based Flavoured Powder Drinks	33,396.5	35,233.3	37,347.3	39,401.4	41,529.1	43,730.1
- Malt-based Hot Drinks	15,933.4	17,367.4	18,843.7	20,351.2	21,877.5	23,408.9
- Non-Chocolate-based Flavoured Powder Drinks	15,728.0	16,829.0	18,091.2	19,357.5	20,615.8	21,832.1
Milk	65,574.0	68,471.5	71,368.9	77,090.7	81,683.4	86,285.0
- Cow's Milk	65,574.0	68,471.5	71,368.9	77,090.7	81,683.4	86,285.0
- Goat Milk	-	-	-	-	-	-
Powder Milk	50,474.0	52,997.7	55,541.6	58,040.9	60,476.7	62,897.8
Non-Dairy Milk Alternatives	15,700.0	16,720.0	17,900.0	19,080.0	20,410.0	21,760.0
- Soy Drinks	-	-	-	-	-	-
- Soy Milk	15,700.0	16,720.0	17,900.0	19,080.0	20,410.0	21,760.0
- Other Non-Dairy Milk Alternatives	-	-	-	-	-	-
Drinking Milk Products	321,959.6	346,539.4	371,905.2	410,584.4	444,242.3	479,500.7

Sales of Drinking Milk Products by Category: Value 2009 – 2014 (data given in IDR)

	2009	2010	2011	2012	2013	2014
Flavoured Milk Drinks	1,889,728.1	2,229,879.1	2,642,406.8	3,197,312.2	3,724,868.7	4,413,969.4
- Dairy Only Flavoured Milk Drinks	1,889,728.1	2,229,879.1	2,642,406.8	3,197,312.2	3,724,868.7	4,413,969.4
- Flavoured Milk Drinks with Fruit Juice	-	-	-	-	-	-
Flavoured Powder Milk Drinks	4,081,055.2	4,610,670.5	5,251,125.5	5,977,798.4	6,768,924.1	7,699,629.9
- Chocolate-based Flavoured Powder Drinks	2,132,720.1	2,399,310.1	2,687,227.3	3,023,130.7	3,385,906.4	3,843,003.8
- Malt-based Hot Drinks	945,977.3	1,073,684.3	1,266,947.4	1,469,659.0	1,690,107.9	1,935,173.5
- Non-Chocolate-based Flavoured Powder Drinks	1,002,357.8	1,137,676.1	1,296,950.8	1,485,008.6	1,692,909.8	1,921,452.8
Milk	852,032.1	946,163.8	1,056,300.4	1,223,676.7	1,371,616.9	1,545,591.4
- Cow's Milk	852,032.1	946,163.8	1,056,300.4	1,223,676.7	1,371,616.9	1,545,591.4
- Goat Milk	-	-	-	-	-	-
Powder Milk	3,342,230.7	3,693,165.0	4,099,413.1	4,570,845.6	5,050,784.4	5,631,624.6
Non-Dairy Milk Alternatives	160,540.0	179,170.0	201,950.0	225,630.0	257,690.0	290,130.0
- Soy Drinks	-	-	-	-	-	-
- Soy Milk	160,540.0	179,170.0	201,950.0	225,630.0	257,690.0	290,130.0
- Other Non-Dairy Milk Alternatives	-	-	-	-	-	-
Drinking Milk Products	10,325,586.2	11,659,048.4	13,251,195.8	15,195,262.8	17,173,884.1	19,580,945.3

Source: Eurononitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources.

Champions Trophy
Case Competition 2015



Sales of Flavoured Milk Drinks by Chilled vs Ambient: % Volume Analysis 2009 – 2014

% retail volume	2009	2010	2011	2012	2013	2014
Ambient	96.0	96.0	95.5	95.0	94.5	94.0
Chilled	4.0	4.0	4.5	5.0	5.5	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Sales of Milk by Type: % Breakdown 2009 – 2014

% retail value rsp	2009	2010	2011	2012	2013	2014
Adult	96.5	96.7	97.0	97.5	98.0	98.2
Children	3.5	3.3	3.0	2.5	2.0	1.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Company Shares of Drinking Milk Products: % Value 2010 – 2014

Company	2010	2011	2012	2013	2014
Nestlé Indonesia PT	25.3	25.4	25.0	25.0	24.9
Frisian Flag Indonesia PT	18.1	18.6	18.9	19.2	19.5
Ultrajaya Milk Industry & Trading Co Tbk PT	0.4	0.6	11.0	11.7	12.0
Indolakto PT	14.1	13.8	13.0	12.4	11.9
Fonterra Brands Indonesia PT	8.8	8.8	8.8	8.9	9.0
Kalbe Farma Tbk PT	3.6	3.5	3.7	3.7	3.6
Nutrifood Indonesia PT	2.3	2.6	2.7	2.9	3.1
Danone Dairy Indonesia PT	1.7	2.0	2.0	2.1	2.3
Sari Husada Tbk PT	2.1	2.1	2.0	1.9	1.8
Greenfields Indonesia PT	1.9	1.8	1.7	1.6	1.5
Tigaraksa Satria Tbk PT	1.6	1.5	1.5	1.5	1.5
Heinz ABC Indonesia PT	0.7	0.7	0.7	0.7	0.7
Diamond Cold Storage PT	0.8	0.8	0.7	0.7	0.7
Monysaga Prima PT	0.6	0.6	0.6	0.6	0.6
Cisarua Mountain Dairy PT	0.2	0.2	0.2	0.2	0.2
Susu Murni Nasional PT	0.1	0.1	0.1	0.1	0.1
Yeo Hiap Seng Ltd	0.1	0.1	0.1	0.1	0.1
Smart Naco Indonesia PT	0.2	-	-	-	-
Gabungan Koperasi Susu Indonesia GKSI	-	-	-	-	-
Indomilk PT	-	-	-	-	-
Southern Island Dairy Farming	-	-	-	-	-
Nestlé (Malaysia) Bhd	-	-	-	-	-
Associated British Foods Plc	-	-	-	-	-
Others	8.4	8.0	7.2	6.8	6.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Distribution of Drinking Milk Products by Format: % Value 2009 – 2014

	2009	2010	2011	2012	2013	2014
Store-Based Retailing	100.0	100.0	100.0	100.0	100.0	99.9
- Grocery Retailers	100.0	100.0	100.0	100.0	100.0	99.9
- Modern Grocery Retailers	41.5	42.1	43.0	43.5	44.5	45.4
- Convenience Stores	15.3	16.1	17.3	18.0	18.7	19.4
- Discounters	-	-	-	-	-	-
- Forecourt Retailers	-	-	-	-	-	-
- Hypermarkets	11.0	11.0	11.0	11.0	11.0	11.0
- Supermarkets	15.2	15.0	14.7	14.5	14.8	15.0
- Traditional Grocery Retailers	58.5	57.9	57.0	56.5	55.5	54.5
- Food/drink/tobacco specialists	-	-	-	-	-	-
- Independent Small Grocers	50.5	50.2	50.0	49.5	49.0	48.5
- Other Grocery	8.0	7.7	7.0	7.0	6.5	6.0

Appendix 4: Key Indonesian market statistics – baby food

Sales of Baby Food by Category: Volume 2009 – 2014

'000 tonnes	2009	2010	2011	2012	2013	2014
Dried Baby Food	11.6	12.0	12.4	12.8	13.2	13.5
Milk Formula	167.9	186.0	204.6	222.8	240.0	257.7
- Standard Milk Formula	22.6	24.3	25.9	27.3	28.6	29.9
- Follow-on Milk Formula	29.1	30.4	31.7	33.0	34.2	35.4
- Toddler Milk Formula	115.6	130.6	146.3	161.7	176.2	191.2
- Special Baby Milk Formula	0.6	0.6	0.7	0.8	0.9	1.2
Prepared Baby Food	0.3	0.3	0.4	0.4	0.4	0.5
Other Baby Food	5.1	5.6	6.0	6.5	7.0	7.5
Baby Food	184.9	203.9	223.4	242.5	260.6	279.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources



Brand Shares of Baby Food: % Value 2011 – 2014

% retail value rsp Brand	Company	2011	2012	2013	2014
Dancow	Nestlé Indonesia PT	15.6	15.6	15.6	15.4
SGM	Sari Husada Tbk PT	13.7	14.3	14.6	15.0
Frisian Flag	Frisian Flag Indonesia PT	12.1	12.7	13.1	13.5
Bebelac	Nutricia Indonesia Sejahtera PT	5.1	5.8	6.2	6.6
Nutrilon	Nutricia Indonesia Sejahtera PT	6.4	6.5	6.5	6.4
PediaSure	Abbott Indonesia PT	5.0	5.2	5.2	5.1
Morinaga	Kalbe Farma Tbk PT	5.0	5.1	5.1	5.1
Lactogen	Nestlé Indonesia PT	7.0	6.3	5.6	4.8
Chil Kid	Kalbe Farma Tbk PT	3.9	4.0	4.2	4.5
S-26	Wyeth Indonesia PT	0.7	3.2	3.3	3.5
Chil School	Kalbe Farma Tbk PT	2.2	2.3	2.4	2.5
Cerelac	Nestlé Indonesia PT	1.8	1.8	1.9	2.0
Sustagen	Mead Johnson Indonesia PT	2.0	1.9	1.8	1.6
Anmum	Fonterra Brands Indonesia PT	1.6	1.6	1.6	1.6
Milna	Kalbe Farma Tbk PT	1.4	1.5	1.5	1.5
Enfagrow	Mead Johnson Indonesia PT	1.8	1.7	1.6	1.5
Enfapro	Mead Johnson Indonesia PT	1.6	1.5	1.3	1.2
Enfakid	Mead Johnson Indonesia PT	1.1	1.0	0.9	0.9
Promina	Indofood Sukses Makmur Tbk PT	1.1	0.9	0.8	0.7
Farley's	Heinz ABC Indonesia PT	0.5	0.6	0.6	0.6
SUN	Indofood Sukses Makmur Tbk PT	1.0	0.8	0.7	0.6
Enfamil	Mead Johnson Indonesia PT	0.6	0.6	0.5	0.5
Bonakid	Wyeth Indonesia PT	-	0.2	0.3	0.3
Gerber	Nestlé Indonesia PT	0.3	0.3	0.3	0.3
Nestlé NAN	Nestlé Indonesia PT	0.3	0.2	0.1	0.1
Procal	Wyeth Indonesia PT	1.8	-	-	-
Vitalac	Sari Husada Tbk PT	0.9	-	-	-
Promil	Wyeth Indonesia PT	0.4	-	-	-
VitaPlus	Sari Husada Tbk PT	0.3	-	-	-
Gerber	Gerber Products Co, The	-	-	-	-
Others		4.9	4.6	4.5	4.3
Total		100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Appendix 5: Key Indonesian market statistics – ice cream

Sales of Ice Cream by Category: Volume 2008 – 2013

'000 tonnes	2008	2009	2010	2011	2012	2013
Frozen Yoghurt	-	-	-	-	-	-
Impulse Ice Cream	24.2	22.9	23.3	25.4	28.0	31.8
- Single Portion Dairy Ice Cream	16.7	17.9	19.7	21.7	24.1	26.9
- Single Portion Water Ice Cream	7.5	5.0	3.6	3.6	3.9	4.9
Retail Artisanal Ice Cream	-	-	-	-	-	-
Take-Home Ice Cream	21.2	21.8	21.6	22.7	24.1	25.6
- Take-Home Dairy Ice Cream	19.1	20.1	20.7	21.8	23.2	24.7
- Bulk Dairy Ice Cream	18.2	19.3	20.3	21.4	22.7	24.1
- Ice Cream Desserts	-	-	-	-	-	-
- Multi-Pack Dairy Ice Cream	0.9	0.8	0.5	0.5	0.5	0.5
- Take-Home Water Ice Cream	2.1	1.7	0.9	0.9	0.9	0.9
- Bulk Water Ice Cream	-	-	-	-	-	-
- Multi-Pack Water Ice Cream	2.1	1.7	0.9	0.9	0.9	0.9
Ice Cream	45.4	44.7	44.8	48.1	52.1	57.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of Ice Cream by Category: Value 2008 – 2013

Rp billion	2008	2009	2010	2011	2012	2013
Frozen Yoghurt	-	-	-	-	-	-
Impulse Ice Cream	1,252.1	1,297.0	1,428.1	1,685.6	1,976.0	2,394.2
- Single Portion Dairy Ice Cream	948.7	1,081.6	1,265.4	1,493.2	1,776.9	2,123.4
- Single Portion Water Ice Cream	303.4	215.4	162.6	172.4	199.1	270.8
Retail Artisanal Ice Cream	-	-	-	-	-	-
Take-Home Ice Cream	631.7	697.6	735.6	828.6	942.7	1,077.3
- Take-Home Dairy Ice Cream	583.1	656.7	714.8	807.2	919.7	1,052.5
- Bulk Dairy Ice Cream	541.1	616.9	690.9	780.7	890.0	1,019.0
- Ice Cream Desserts	-	-	-	-	-	-
- Multi-Pack Dairy Ice Cream	42.0	39.9	23.9	26.5	29.7	33.4
- Take-Home Water Ice Cream	48.7	40.9	20.8	21.4	23.0	24.8
- Bulk Water Ice Cream	-	-	-	-	-	-
- Multi-Pack Water Ice Cream	48.7	40.9	20.8	21.4	23.0	24.8
Ice Cream	1,863.9	1,994.6	2,163.7	2,494.2	2,918.7	3,471.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources



Brand Shares of Ice Cream: % Value 2010 – 2013

% retail value rsp Brand	Company	2010	2011	2012	2013
Wall's	Unilever Indonesia Tbk PT	19.5	21.3	23.4	27.3
Campina	Campina Ice Cream Industry PT	21.2	20.8	20.3	19.4
Paddle Pop	Unilever Indonesia Tbk PT	17.5	17.7	17.8	17.4
Cometto	Unilever Indonesia Tbk PT	12.9	13.5	14.0	14.1
Diamond	Diamond Cold Storage PT	11.8	11.0	10.3	9.3
Feast	Unilever Indonesia Tbk PT	3.2	3.0	2.7	2.4
Miami	Indo Van Houten PT	2.0	1.9	1.7	1.5
TamTam	Indolakto PT	1.9	1.7	1.6	1.4
Jreng Jreng	Indolakto PT	0.8	0.7	0.6	0.5
Mony	Monysaga Prima PT	0.6	0.5	0.5	0.5
Jimbaran	Indo Meiji Dairy Food PT	-	-	-	-
KulKul	Indo Meiji Dairy Food PT	-	-	-	-
TamTam	Indo Meiji Dairy Food PT	-	-	-	-
Toraja	Indo Meiji Dairy Food PT	-	-	-	-
KulKul	Indoeskrim Dairy Food PT	-	-	-	-
TamTam	Indoeskrim Dairy Food PT	-	-	-	-
Dopio	Monysaga Prima PT	-	-	-	-
GoGo	Ultrajaya Milk Industry & Trading Co Tbk PT	-	-	-	-
Calippo	Unilever Indonesia Tbk PT	-	-	-	-
Solo	Unilever Indonesia Tbk PT	-	-	-	-
Twister	Unilever Indonesia Tbk PT	-	-	-	-
Others		8.7	7.9	7.1	6.2
Total		100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Appendix 6: Key Indonesian market statistics – yoghurt and sour milk products

Sales of Yoghurt and Sour Milk Products by Category: Volume 2009 – 2014

'000 tonnes	2009	2010	2011	2012	2013	2014
Sour Milk Products	100.9	114.1	126.6	138.0	148.3	159.3
Yoghurt	46.3	54.4	62.5	71.5	81.4	91.9
- Drinking Yoghurt	45.1	52.7	60.6	69.4	79.1	89.8
- Spoonable Yoghurt	1.2	1.6	1.8	2.0	2.2	2.1
-- Flavoured Spoonable Yoghurt	0.8	1.1	1.2	1.3	1.3	1.0
-- Fruited Spoonable Yoghurt	0.3	0.4	0.5	0.6	0.7	0.9
-- Plain Spoonable Yoghurt	0.1	0.1	0.1	0.1	0.1	0.1
Yoghurt and Sour Milk Products	147.2	168.4	189.1	209.4	229.7	251.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of Yoghurt and Sour Milk Products by Category: Value 2009 – 2014

IDR billion	2009	2010	2011	2012	2013	2014
Sour Milk Products	1,316.3	1,513.7	1,725.6	1,949.9	2,183.9	2,478.8
Yoghurt	877.1	1,144.1	1,376.3	1,661.6	2,014.1	2,435.2
- Drinking Yoghurt	831.2	1,080.5	1,302.0	1,575.5	1,914.2	2,335.3
- Spoonable Yoghurt	45.9	63.6	74.3	86.1	99.9	99.9
-- Flavoured Spoonable Yoghurt	23.2	35.8	39.7	44.5	50.3	40.9
-- Fruited Spoonable Yoghurt	16.7	21.3	27.5	34.1	41.6	50.4
-- Plain Spoonable Yoghurt	6.1	6.5	7.0	7.5	8.0	8.6
Yoghurt and Sour Milk Products	2,193.4	2,657.8	3,101.9	3,611.6	4,198.1	4,914.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources



Company Shares of Yoghurt and Sour Milk Products: % Value 2010 – 2014

% retail value rsp Company	2010	2011	2012	2013	2014
Yakult Indonesia Persada PT	29.0	32.1	34.0	35.8	37.5
Danone Dairy Indonesia PT	39.2	36.9	36.1	35.1	34.0
Frisian Flag Indonesia PT	15.7	15.5	15.1	14.6	14.2
Ultra Prima Artaboga PT	4.9	4.7	4.8	5.0	5.0
Ajinomoto Calpis Beverage Indonesia PT	5.1	4.6	4.0	3.6	3.2
Cisarua Mountain Dairy PT	1.9	2.0	1.9	1.9	2.1
Yummy Food Utama PT	1.4	1.6	1.6	1.7	1.9
Diamond Cold Storage PT	1.8	1.8	1.7	1.6	1.4
Bongrain SA	0.2	0.2	0.1	0.1	0.1
Regal Cream Products Pty Ltd	0.1	0.1	0.1	0.0	0.0
King's Bekasi PT	0.0	0.0	0.0	0.0	0.0
Sodiaal SA (Société de Diffusion Internationale Agro- alimentaire)	0.1	0.0	0.0	0.0	0.0
Queen Bandung PT	0.1	0.1	0.0	-	-
Indoakto PT	0.1	0.1	0.0	-	-
Parmalat Group	-	-	-	-	-
Indomilk PT	-	-	-	-	-
Fonterra Brands Indonesia PT	-	-	-	-	-
Others	0.5	0.4	0.4	0.5	0.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Appendix 7: Key Indonesian market statistics – cheese

Sales of Cheese by Category: Volume 2009-2014

tonnes	2009	2010	2011	2012	2013	2014
Processed Cheese	5,086.7	5,238.5	5,706.4	6,273.2	6,958.9	7,789.2
- Spreadable Processed Cheese	45.9	46.5	47.2	48.0	49.0	50.1
- Unspreadable Processed Cheese	5,040.7	5,192.0	5,659.2	6,225.2	6,909.9	7,739.1
Unprocessed Cheese	75.7	76.7	77.8	79.2	80.8	82.6
- Hard Cheese	75.7	76.7	77.8	79.2	80.8	82.6
-- Packaged Hard Cheese	75.7	76.7	77.8	79.2	80.8	82.6
-- Unpackaged Hard Cheese	-	-	-	-	-	-
- Soft Cheese	-	-	-	-	-	-
- Spreadable Unprocessed Cheese	-	-	-	-	-	-
Cheese	5,162.4	5,315.1	5,784.3	6,352.4	7,039.8	7,871.9

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of Cheese: % Value 2009-2014

IDR billion	2009	2010	2011	2012	2013	2014
Processed Cheese	508.7	564.4	629.1	704.4	792.2	895.0
- Spreadable Processed Cheese	6.3	6.8	7.3	8.0	8.8	9.6
- Unspreadable Processed Cheese	502.4	557.7	621.8	696.4	783.5	885.3
Unprocessed Cheese	14.8	15.7	16.7	17.9	19.2	20.8
- Hard Cheese	14.8	15.7	16.7	17.9	19.2	20.8
-- Packaged Hard Cheese	14.8	15.7	16.7	17.9	19.2	20.8
-- Unpackaged Hard Cheese	-	-	-	-	-	-
- Soft Cheese	-	-	-	-	-	-
- Spreadable Unprocessed Cheese	-	-	-	-	-	-
Cheese	523.5	580.1	645.9	722.3	811.5	915.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources



Sales of Cheese: % Value 2009-2014

% retail value rsp	2009	2010	2011	2012	2013	2014
Store-Based Retailing	100.0	100.0	100.0	100.0	100.0	100.0
- Grocery Retailers	100.0	100.0	100.0	100.0	100.0	100.0
-- Modern Grocery	82.5	83.0	83.5	84.0	84.5	85.0
Retailers						
--- Convenience Stores	6.0	8.0	9.0	10.0	10.0	10.2
--- Discounters	-	-	-	-	-	-
--- Forecourt Retailers	-	-	-	-	-	-
--- Hypermarkets	33.0	34.0	35.0	36.0	37.0	37.8
--- Supermarkets	43.5	41.0	39.5	38.0	37.5	37.0
-- Traditional Grocery	17.5	17.0	16.5	16.0	15.5	15.0
Retailers						
--- Food/drink/tobacco specialists	-	-	-	-	-	-
--- Independent Small Grocers	17.5	17.0	16.5	16.0	15.5	15.0
--- Other Grocery Retailers	-	-	-	-	-	-
- Non-Grocery Retailers	-	-	-	-	-	-
-- Health and Beauty Retailers	-	-	-	-	-	-
-- Mixed Retailers	-	-	-	-	-	-
-- Other Non-Grocery Retailers	-	-	-	-	-	-
Non-Store Retailing	-	-	-	-	0.0	0.0
- Vending	-	-	-	-	0.0	0.0
- Homeshopping	-	-	-	-	-	-
- Internet Retailing	-	-	-	-	-	-
- Direct Selling	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Appendix 8: Key Indonesian market statistics – oils and fats

Sales of Oils and Fats by Category: Volume 2008 – 2013

'000 tonnes	2008	2009	2010	2011	2012	2013
Butter	1.8	1.8	1.8	1.9	1.9	1.9
Cooking Fats	-	-	-	-	-	-
Margarine	63.3	72.2	78.0	85.8	93.5	101.0
Olive Oil	1.6	1.6	1.7	1.7	1.8	1.9
Spreadable Oils and Fats	72.4	76.0	79.4	83.1	87.3	92.1
Vegetable and Seed Oil	458.1	423.7	466.1	515.0	556.2	592.4
Oils and Fats	597.1	575.4	627.0	687.6	740.7	789.3

Sales of Oils and Fats by Category: Value 2008 – 2013

Rp billion	2008	2009	2010	2011	2012	2013
Butter	187.4	197.7	207.6	220.0	236.5	255.5
Cooking Fats	-	-	-	-	-	-
Margarine	1,019.5	1,034.8	1,257.3	1,565.4	1,956.7	2,269.8
Olive Oil	160.3	174.7	188.7	206.6	228.3	251.1
Spreadable Oils and Fats	1,422.4	1,543.3	1,689.9	1,918.1	2,138.6	2,373.9
Vegetable and Seed Oil	6,055.2	4,904.7	6,057.3	7,571.6	8,820.9	9,879.4
Oils and Fats	8,844.8	7,855.2	9,400.8	11,481.6	13,381.1	15,029.7

Company Shares of Oils and Fats: % Value 2009 – 2013

Company	2009	2010	2011	2012	2013
Salim Ivomas Pratama Tbk PT	-	44.5	45.4	44.9	44.7
SMART Tbk PT	12.4	13.5	15.3	16.5	16.5
Unilever Indonesia Tbk PT	16.5	15.0	13.7	13.1	13.0
Bina Karya Prima PT	10.7	10.2	10.1	10.2	10.6
Sari Agrotama Persada PT	5.6	5.8	5.9	6.3	6.6
Pabrik Minyak Goreng Barco PT	2.9	2.6	2.2	2.0	1.8
Indolakto PT	1.5	1.3	1.1	1.1	1.0
SOS Corp Alimentaria SA	1.1	1.1	1.0	1.0	1.0
Mikie Oleo Nabati Industri PT	0.5	0.6	0.7	0.7	0.8
Nestlé Italiana SpA	0.9	0.9	0.8	0.7	0.7
Sinar Meadow International PT	1.0	0.8	0.7	0.6	0.6
Wisman & Zonen BV, HJ	0.4	0.4	0.3	0.3	0.3
Fonterra Brands Indonesia PT	0.4	0.3	0.3	0.3	0.3
Salim Ivomas Pratama PT	42.7	-	-	-	-
Aceifes Carbonell SA	0.2	-	-	-	-
Lactalis, Groupe	0.1	-	-	-	-
Unilever Group	-	-	-	-	-
Hasil Kesatuan PT	-	-	-	-	-
Indomilk PT	-	-	-	-	-
New Zealand Milk Indonesia PT	-	-	-	-	-
Intiboga Sejahtera PT	-	-	-	-	-
Astra Agro Lestari Tbk PT	-	-	-	-	-
Others	3.4	3.0	2.7	2.4	2.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Appendix 9: Key Indonesian market statistics – other dairy

Sales of Other Dairy by Category: Volume 2009 – 2014

tonnes	2009	2010	2011	2012	2013	2014
Chilled and Shelf Stable Desserts	-	-	-	-	-	-
- Dairy-Based Desserts	-	-	-	-	-	-
- Soy-based Desserts	-	-	-	-	-	-
Chilled Snacks	-	-	-	-	-	-
Coffee Whiteners	209.2	228.0	246.2	263.5	279.3	293.2
Condensed/Evaporated Milk	291,287.4	286,586.6	290,328.5	293,652.9	296,362.4	299,029.7
- Flavoured, Functional Condensed Milk	112,495.1	111,370.2	112,483.9	113,496.2	114,404.2	115,433.9
- Plain Condensed/Evaporated Milk	178,792.2	175,216.4	177,844.6	180,156.6	181,958.2	183,595.8
Cream	73.5	73.9	74.5	75.2	76.2	77.4
Fromage Frais and Quark	-	-	-	-	-	-
- Flavoured Fromage Frais and Quark	-	-	-	-	-	-
- Plain Fromage Frais and Quark	-	-	-	-	-	-
- Savoury Fromage Frais and Quark	-	-	-	-	-	-
Other Dairy	291,570.1	286,888.5	290,649.2	293,991.5	296,717.9	299,400.3

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Sales of Other Dairy by Category: Value 2009 – 2014

IDR billion	2009	2010	2011	2012	2013	2014
Chilled and Shelf Stable Desserts	-	-	-	-	-	-
- Dairy-Based Desserts	-	-	-	-	-	-
- Soy-based Desserts	-	-	-	-	-	-
Chilled Snacks	-	-	-	-	-	-
Coffee Whiteners	10.5	11.9	13.6	15.5	17.3	18.9
Condensed/Evaporated Milk	3,754.3	3,780.6	3,976.9	4,294.8	4,768.8	5,409.3
- Flavoured, Functional Condensed Milk	1,507.4	1,522.5	1,583.4	1,733.7	2,002.8	2,394.4
- Plain Condensed/Evaporated Milk	2,246.8	2,258.0	2,393.5	2,561.1	2,766.0	3,014.9
Cream	5.2	5.4	5.7	6.1	6.5	6.9
Fromage Frais and Quark	-	-	-	-	-	-
- Flavoured Fromage Frais and Quark	-	-	-	-	-	-
- Plain Fromage Frais and Quark	-	-	-	-	-	-
- Savoury Fromage Frais and Quark	-	-	-	-	-	-
Other Dairy	3,769.9	3,797.9	3,996.3	4,318.3	4,792.5	5,435.2

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Appendix 10: Distribution of dairy in Indonesia 2014: % retail value

	Drinking Milk	Baby Food	Ice-cream	Yoghurt and Sour Milk	Oils and Fats	Other Dairy
Convenience Stores	19.44	13.9	20.0	11.2	6.0	10.6
Hypermarkets	11.0	15.8	17.5	32.2	5.5	16.1
Supermarkets	15.0	21.2	18.1	38.0	7.5	17.8
Traditional Grocery Retailers	54.5	41	44.4	8.9	81	55.5

Convenience stores

Chained grocery retail outlets selling a wide range of groceries and fitting several of the following characteristics: • Extended opening hours • Selling area of less than 400 sq metres • Located in residential neighbourhoods • Handling two or more of the following product categories: Audio-visual goods (for sale or rent), Take-away food (ready made sandwiches, rolls or hot food), newspapers or magazines, cut flowers or pot plants, greetings cards Example brands include 7-Eleven, Spar, Circle K.

Hypermarkets

Hypermarkets are chained or independent retail outlets with a selling space of over 2,500 square metres and with a primary focus on selling food/beverages/tobacco and other groceries. Hypermarkets also sell a range of non-grocery merchandise. Hypermarkets are frequently located on out-of-town sites or as the anchor store in a shopping centre. Example brands include Carrefour, Auchan, Real (Metro Group), Géant (Casino Group), E Leclerc, Wal-Mart Supercenter (in US, Canada, Mexico, Brazil, China), Wal-Mart (in Argentina). A note on Wal-Mart: Despite being widely referred to in the US trade press as a “discounter”, Euromonitor International categorises stores under the Wal-Mart brand in Mass Merchandisers in the US. Wal-Mart Stores Inc also operates in Hypermarkets under the brands Wal-Mart Supercenter (in US, Canada, Mexico, Brazil, China), Wal-Mart (in Argentina) as well as under various other brands in China, Argentina, Brazil, the UK, Guatemala. Wal-Mart Stores Inc also has operations in Supermarkets (including Wal-Mart Neighbourhood Market in the US, Seiyu SSV in Japan, Bompreço in Brazil, Superama in Mexico), Discounters (including Bodega Aurrera in Mexico, Todo Dia in Brazil), other Mass merchandisers brand (including Seiyu in Japan and Asda in the UK) and other channels (George, UK, apparel).

Supermarkets

Supermarkets are chained or independent retail outlets with a selling space of between 400 and 2,500 square metres and with a primary focus on selling food/beverages/tobacco and other groceries. Supermarkets may also sell a selection of non-groceries. Example Supermarket brands include Billa (Rewe Group), Champion (Carrefour), Kroger, Wal-Mart Neighbourhood Market (in the US), Seiyu SSV (in Japan), Bompreço (in Brazil), Superama (in Mexico) Exceptions: There are a several grocery retailer brands that operate outlets with a selling space of over 2,500 square metres, but offer a very limited range of non-grocery merchandise or none at all. These brands are included in Supermarkets. They are primarily located in US, Australia and Hong Kong. Examples include: Coles, Woolworths, Park ‘n Shop. A note on Wal-Mart: Despite being widely referred to in the US trade press as a “discounter”, Euromonitor International categorises stores under the Wal-Mart brand in Mass Merchandisers in the US. Wal-Mart Stores Inc also has operations in Supermarkets under the brands Wal-Mart Neighbourhood Market in the US, Seiyu SSV in Japan, Bompreço in Brazil, Superama in Mexico and others. Wal-Mart Stores Inc also has operations in Hypermarkets (including Wal-Mart Supercenter in the US, Canada, Mexico, Brazil, China), Wal-Mart (in Argentina), Discounters (including Bodega Aurrera in Mexico, Todo Dia in Brazil), Mass merchandisers (including Wal-Mart in the US and Canada, Seiyu in Japan) and other channels.



Appendix 11: Fonterra's top eight target markets

Market	GDP (2013) USD	GDP Growth % (2013)	Population
China	9.24 trillion	7.7	1.3 billion
Indonesia	868.3 billion	5.8	249.9 million
Malaysia	312.4 billion	4.7	29.72 million
Australia	1.651 trillion	2.7	23.13 million
Brazil	2.246 trillion	2.5	200.4 million
New Zealand	185.8 billion	2.5	4.471 million
Sri Lanka	67.18 billion	7.3	20.48 million
Chile	277.2 billion	4.1	17.62 million

Appendix 12: Exchange rate information

1 USD = 1.23 NZD

1 IDR = 0.0001 NZD

1 IDR = 0.000079 USD

Appendix 13: Key definitions

UHT – Ultra high temperature processing

The milk is heated at a high temperature to enable it to have a shelf life of 6-9 months.

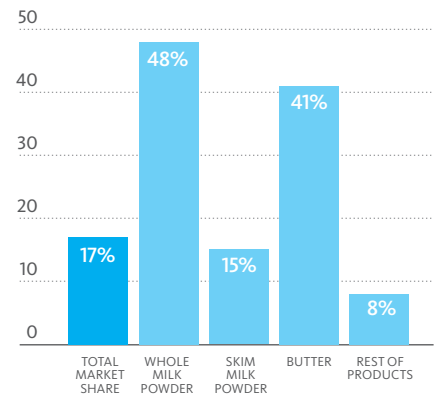
Ambient

UHT milk is ambient because it can be stored at room temperature.

Appendix 14: Fonterra's global milk pools

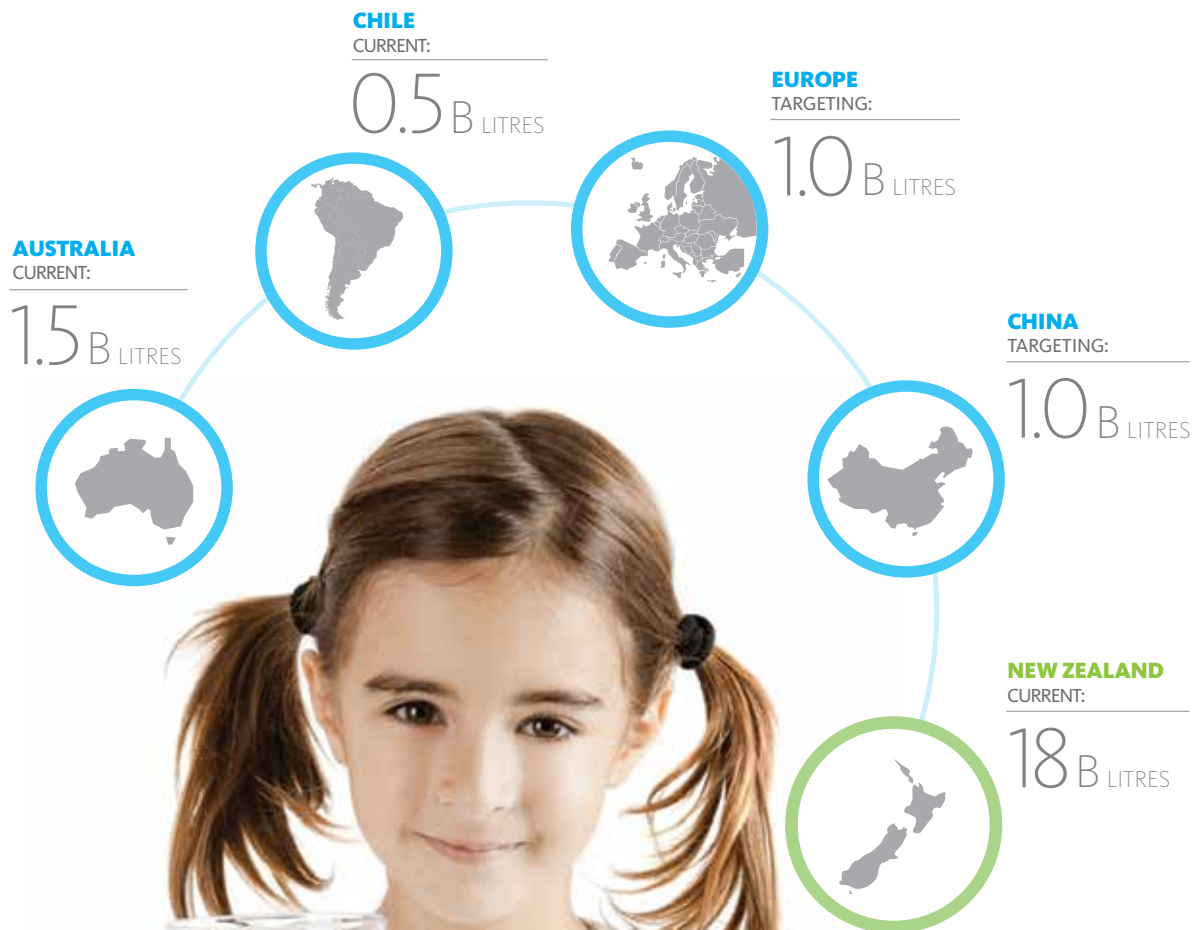
GLOBAL MILK POOLS

Our global milk pools will allow us to reach 30 billion litres of milk from five or six high-quality and secure milk pools by 2025.



FONTERRA'S SHARE OF GLOBAL DAIRY EXPORTS

Figures are for the 2013/14 season. Global Dairy Exports means the market for the cross-border trade of dairy products but excludes trade among countries within the European Union.





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