



Moving More by Rail:

Supporting Growth, Resilience and A Lower-Emissions Future

For more than 150 years, Fonterra has taken New Zealand dairy to the world. This cooperative of farming families has grown into one of the world's largest dairy companies and a global export powerhouse. Today, Fonterra accounts for approximately 30% of global dairy exports and generates more than NZ\$25 billion in revenue.

A key focus is ensuring longevity and prosperity for New Zealand farmers and their communities, including helping promote good farming practices to contribute to soil health, water quality, biodiversity, animal wellbeing and emissions intensity reductions. Future sustainability also means considering the ways product moves through supply chains and delivers for each customer while looking after communities and the environment along the way.

This case study shares insights about how increasing rail volumes is supporting emissions reduction, strengthening supply chain resilience, and delivering long-term value.

BENEFITS OF RAIL TO FONTERRA

Fonterra actively partners with KiwiRail to put more volume on rail, a choice that has commercial, safety, and sustainability benefits for customers, farmers and New Zealand inc.

Resilient domestic supply chains

Fonterra relies on a mix of road and rail transport to move its products from factories and distribution centres all over Aotearoa New Zealand to Ports for export. The Co-operative is actively working with KiwiRail to shift volume to rail where it makes sense to do so. Rail is an attractive freight option, as it offers efficient loading, direct routes to port, and a lower emissions footprint than road.

Adverse weather events often disrupt road and rail networks, and the frequency and severity of these events is expected to increase as the world warms. KiwiRail's investment in its Climate Adaptation plan and increasing the resilience of parts of its rail network supports Fonterra's climate resilience, as well as its own.

KiwiRail's North Auckland Line between Whangārei and Ranui was closed for 20 months following slips and other damage incurred during Cyclone Gabrielle and the January 2023 extreme weather event. Following these storms, KiwiRail has reinstated the line, replacing drainage, stabilising slopes and retaining wall assets. Since the rebuild, there have been no significant climate-related disruptions to Fonterra's rail freight in the region – despite major storms over that period resulting in extended road closures.

Meeting growing global demand with rail-enabled growth

Fonterra's rail-enabled distribution centres are supporting operational efficiencies, productivity, and improved safety, while enabling the business to meet growing global demand.

Edendale (Southland)

Fonterra's Edendale dairy factory has been processing Southland's milk since 1881, but its focus is firmly on the future. While the site has traditionally focussed on cheese and milk powder manufacturing, the Co-operative is now investing \$150 million to build a new plant to meet growing global demand for UHT cream.

The new plant will initially create upward of 50 million litres of UHT processing capacity, with plans to more than double that capacity by 2030. This growth is underpinned by a strategic partnership between Fonterra and KiwiRail to expand rail capacity into the Edendale site, enabling a greater proportion of product to be moved by rail.

This shift will reduce reliance on road transport, resulting in fewer trucks on the network and a corresponding reduction in freight related emissions.



Mosgiel Distribution Centre (Dunedin / Port Chalmers)

Dairy products from Fonterra’s Stirling and Edendale sites are initially moved to the Co-operative’s distribution centre in Mosgiel, before heading out to Port Chalmers for export. The Mosgiel distribution centre processes about 850 tonnes of product a day and exports about 40 containers a day via Port Chalmers during peak season.

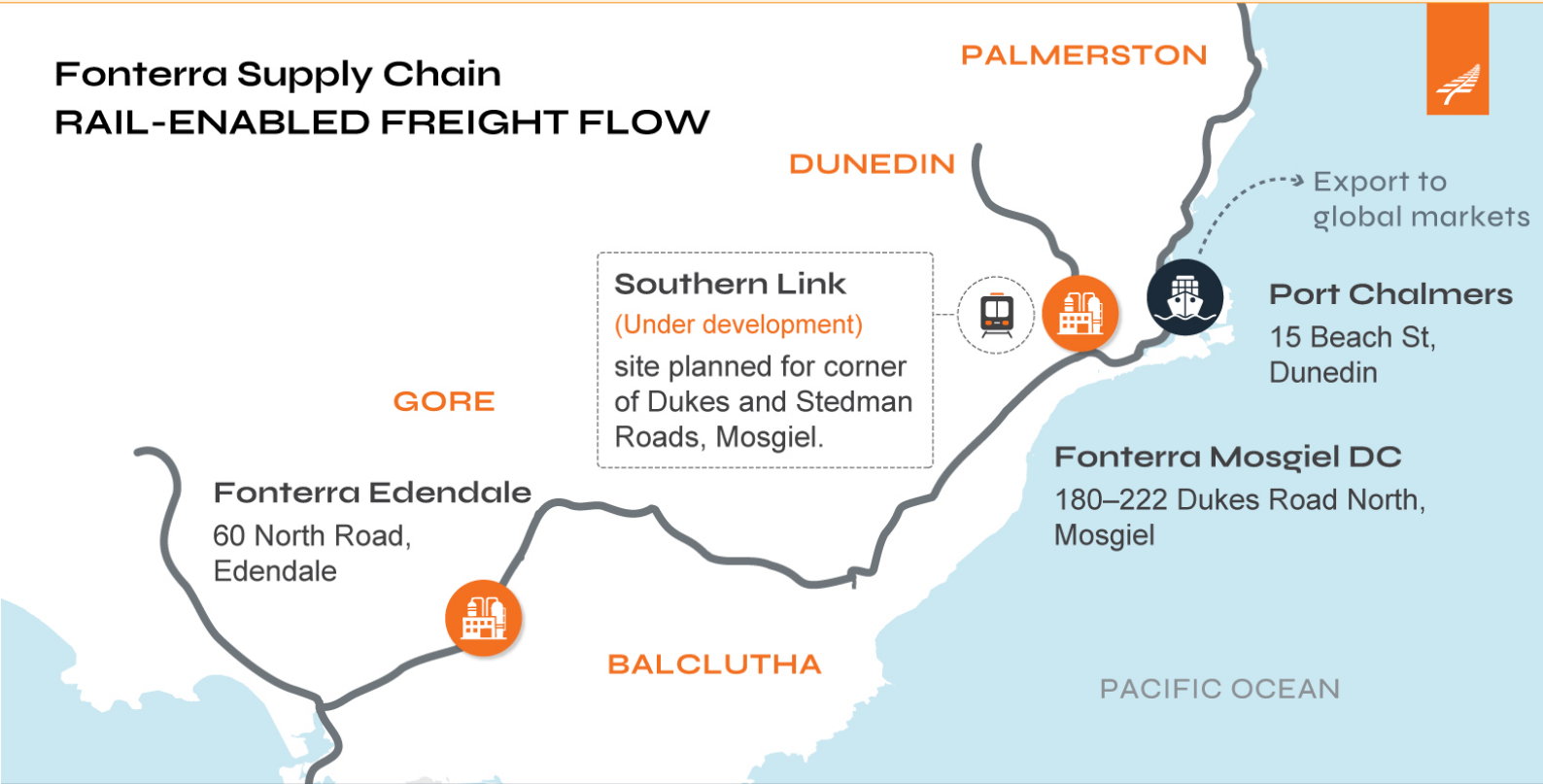
The Mosgiel distribution centre continues to use rail as its primary freight mode. Both KiwiRail and Fonterra value safety, community, and sustainability, and this commitment to rail has had benefits for all three areas. Rail is a lower emissions freight option than road, producing on average 60% fewer emissions.

The team at the distribution centre also see efficiency gains from rail transport and less handling, which in turn makes for a safer and more productive site.

Fonterra is also working closely with Southern Link – Port Otago’s inland port development at Mosgiel – and KiwiRail to leverage rail as the primary line-haul into and out of the Mosgiel distribution centre.

Southern Link will provide the integrated site operations and container handling interface, while KiwiRail will deliver the line-haul rail services connecting Mosgiel to Edendale and Port Chalmers. This coordinated model creates an efficient, rail-enabled hub that minimises handling and supports lower-emissions freight flows through the lower South Island supply chain.

Fonterra Supply Chain RAIL-ENABLED FREIGHT FLOW



850 tonnes/day
Product processed through Mosgiel Distribution Centre

40 containers/day
Exported through Port Chalmers during peak season

60% lower emissions
Rail produces on average 60% fewer emissions than road freight

Crawford Street Distribution Centre (Hamilton)

In the North Island, Fonterra and KiwiRail work closely together to maximise efficiencies at Fonterra's distribution centre on Crawford Street in Hamilton. This is the largest pack site in New Zealand moving 53,000 TEU per annum and provides a critical node within the Golden Triangle linking Auckland, Hamilton and Tauranga. The constant aim is to support and optimise volume transported by rail.



DECARBONISING INITIATIVES BEYOND RAIL



One of Fonterra's six strategic choices is 'Build on our sustainability position', with climate a key focus. Fonterra is conscious of the risks associated with climate change and the need to adapt in order to build a more resilient supply chain. To learn more about the Co-operative's climate activities and partnerships, see Fonterra's [Sustainability Roadmap](#).

Fonterra has science-based emissions reduction targets across all scopes and is investing across its value chain to reduce emissions. This includes transitioning from coal to renewable energy sources and supporting efforts to reduce on-farm emissions intensity.

At its Edendale site, Fonterra has installed its first electrode boiler, reducing site emissions by approximately 20% compared to the original coal boiler.

Fonterra recognises that partnership will be critical to achieving its sustainability goals. For example, Fonterra is a major contributor to AgriZeroNZ, a joint venture between the New Zealand Government and leading agribusinesses and financial institutions, aimed at accelerating the development and rollout of innovative solutions to reduce agricultural emissions.

THE VALUE OF SUSTAINABLE BUSINESS COUNCIL MEMBERSHIP

Like KiwiRail, Fonterra is a member of the Sustainable Business Council, and benefits from sharing sustainability insights with like-minded organisations.

