



Shareholders' Council Update

6 June 2019

Farmers disappointed with DIRA recommendations

Today our farmers will be feeling ignored and frustrated. Despite their efforts to engage in meaningful consultation on changes to DIRA their voice has largely gone unheard as we continue to kick the can down the road with respect to essential change to this important piece of legislation. We do however acknowledge that we are only one of many stakeholders whose interests need to be considered.

This was an opportunity to focus on the wider industry, not just Fonterra, and to optimise value creation for New Zealand from the dairy sector. We are concerned the opportunity to shift DIRA's purpose to the future and to enable the highest value creation from our milk hasn't been fully taken up.

The proposed changes to open entry and exit, whilst helpful, do little to address the concerns of our farmers. Recognising the importance of dairy to regional New Zealand, the changes do not go far enough to address the current strong competition for milk and the risk of over-capacity. It's disappointing that the industry wide solution to enable the removal of open entry, which was developed with Federated Farmers, has not been taken up.

The proposed changes to the milk price regime are of deep concern. Government having the right to nominate a member to the Milk Price Panel is a step too far and gives rise to a direct conflict with the independent oversight of the regime by the Commerce Commission.

There was strong farmer support for better milk price transparency from other processors and this has not been heard.

Our farmers support the need for a strong domestic market for consumers. However, access to regulated priced milk for all export focused processors should have been removed.

We are disappointed there is no firm position on the expiry of DIRA and when the New Zealand market for milk collection – whether national or regional - will be considered sufficiently competitive. And there is also no transition pathway to de-regulation.

The Fonterra Shareholders' Council will continue to advocate for our farmers as the Bill progresses through Parliament.

CONTACT

Duncan Coull is unavailable today.

For more information please contact:

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ABOUT THE FONTERRA SHAREHOLDERS' COUNCIL

The Fonterra Shareholders' Council represents the interests and views of Fonterra Farmers to the Board of the Co-operative. It plays an active role in monitoring and reporting on the performance of Fonterra against specified targets and its strategy, ensuring there is an informed and connected farmer base and acting as the guardian of the Fonterra Co-operative principles. There are 25 Councillors, all Fonterra Farmers, elected by their fellow Shareholders in 25 Wards across New Zealand.