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‘Float debate goes to the heart of Fonterra’

The "float" word is being spoken more loudly around Fonterra - but co-op figures insist farmers must stay in control of the business, no matter what happens to the capital structure.

Fonterra - New Zealand's biggest company and the world's leading dairy exporter - is a co-operative owned by its farmers, with share ownership linked directly to milk supply.

But there have been suggestions that some or all of the business could be floated off to the public. A float could help to unlock farmers' capital and increase the co-op's access to outside sources of funding.

Last month, the CEO of big Fonterra shareholder Landcorp mooted the idea of a tradeable "value-add" share for the part of the business that earns money from activities such as branded consumer products.

Thousands of farmers have recently attended meetings to discuss the way ahead and the debate will continue next year.

Asked yesterday about the prospect of a float of some sort, chairman Henry van der Heyden said "all options will be looked at", although he would not comment directly on the prospect of shares being tradeable.

But he believed farmers retaining ultimate control of the co-op would remain "non-negotiable".

Fonterra Shareholders Council chairman John Monaghan, said a value-add share float was an option, but farmer control was not tradeable.

Farmers would want a "very strong" business case to be put up before agreeing to any float.

"Those sorts of changes go right to the heart of the co-operative."

The council was setting up a group to work with the board and management, he said, and "unless we get some agreement between the board and council on any options, I guess they won't be going out to farmers".

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