

TARANAKI DAILY NEWS

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'Farmers fear Fonterra listing'

By Krysti Wetton

Taranaki dairy farmers say they could be left out in the cold if multi-billion dollar company Fonterra is listed on the stock exchange.

The company, worth an estimated \$7.92 billion, is considering a full or partial listing on the NZX.

The dairy giant has an annual turnover of \$13 billion, more than Telecom's \$5.8 billion.

All of Taranaki's 2000 dairy farmers are Fonterra shareholders and if the company is listed, their shares in the firm would increase to about \$1 million per farm. The average dairy farmer currently owns Fonterra shares, as part of a co-operative, worth about \$712,000.

Fonterra chairman Henry van der Heyden has been reported as saying that while all options are on the table, retaining farmer control of the company would be non-negotiable.

He says there are several reasons why Fonterra needs to change. These include better access to capital, addressing the risk of older farmers selling out and leaving the co-operative, increasing milk supply and giving farmers more diverse investment choices.

But farmers say they could lose out if the co-operative is listed on the stock exchange.

"I believe it should not happen because you're changing the structure from a co-operative to a corporate concept," Don Harvey, of Oakura, said.

He is concerned about the focus shifting from farmers to outside shareholders.

He says Fonterra will have to pay a dividend on the shares that are listed and this could reduce the milk price.

Taranaki farmers are worried what may be in store for the future, he says.

"They've had such a terrible spring and they're very upset. It comes back to, is the leadership of our company of a standard suitable to take us forward?"

Dairy farmers are grappling with a low payout and reduced production.

Oakura's Peter Murdoch is another Fonterra shareholder against the company being listed on the stock exchange. "If you have outside share-holders there's a conflict of interest because they want to get the raw material at the lowest possible price so they can make more money. We can always raise more money (capital for Fonterra) if we need it."

Mr Murdoch says the exchange rate is a big problem for farmers and is out of Fonterra's control.

"While Fonterra's performance leaves a little bit to be desired, I think they're working on it."

He says it is too early to worry about it going public.

"It's our company and we run it. The directors can't list it on the stock exchange without approval from shareholders."

He has not spoken to any Taranaki dairy farmers in favour of the idea. "I don't think the average shareholder will be when they stop and think about it."

Taranaki Dairy Farmers of New Zealand chairman Peter Adamski says Fonterra has used capital for offshore investments, which have not shown a return to shareholders yet.

"So how are they going to show that return in the future?"

He says there is a concern about the breakdown of the co-operative.

"As farmers we understand they need to do something, but no one has come up with the magic answer."

Mr van der Heyden says Fonterra will launch a full review of its capital structure early next year with the aim of putting forward a proposal for its farmer shareholders to vote on before the end of 2007. Any major change to the capital structure will require the support of at least 75% of farmers.

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