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Hi,

I am hoping by now you have heard about the Fonterra NZ announcement around its review of Fonterra Australia and the potential future ownership changes.

It was great to see so many of you join the webinar we held last night with René Dedoncker and Matt Watt. I have also done a number of interviews and written an opinion piece for The Weekly Times on this announcement and I wanted to take the opportunity to contact you directly.

Fonterra's Australian business is in good health as was seen in its F21 annual results which were also announced last week, and there's plenty of reasons for us, as farmers to be optimistic. The New Zealand Co-op's plans for a partial sale of its Australian operations sounds reasonable, but as with any change at a milk processor, they also cause us to consider possible outcomes.

Although the Co-op is exploring a range of options, it looks as though an ASX listing through an Initial Public Offering (IPO) is most likely, with Fonterra NZ planning to keep a significant stake in the company.

If an IPO is chosen, it will mean an independent board and the opportunity for Australian investor ownership of part of the company. If we get this right, it also presents a once in a generation opportunity for dairy farmers to regain some ownership of the Australian dairy processing sector.

For some farmers buying into the IPO will be attractive. Just as important, a structure that sees new capital from external investors come into the Australian business can be good for farmers.

The Australian dairy industry has been moving production into higher value products and markets for the past few years. Fonterra Australia should continue to be a big part of this shift, but that means investing in product innovation and in its brands. Local management can no longer rely on a Kiwi parent (whose main priority as per the announcement is Kiwi milk), for investment capital.

Ownership change comes at a time when Fonterra Australia has solid supplier support, after a lot of work done to rebuild reputation in the past five years. But Fonterra shouldn't take anything for granted when it comes to suppliers. We've felt the pain of past mistakes by processors, especially the step down from 2016.

An independent board and a strong commitment to a supplier representative body are important parts of this. Good communication with farmers, local management and the right governance structures will set Fonterra Australia up for ownership change that delivers real benefits for suppliers and for the Australian dairy industry.

There is still a while to go before a decision is made – expected by the end of the year – and then any change of ownership would likely take place in the second half of 2022.

Your FASC representative group will be a key part of this process, with the initial set up of this company critical in protecting supplier interests for the future.

There will be opportunities to engage with Fonterra during this process, whether in person or online, and I encourage you to participate where you can.

Kind regards

Alan Davenport  
Chair – Fonterra Australia Suppliers' Council

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