



Fonterra Co-operative Group Limited  
Private Bag 92032 Auckland  
Fonterra Centre 9 Princes Street Auckland  
New Zealand  
Ph +64 9 374 9000 Fax +64 9 374 9001  
www.fonterra.com

2 May 2005

Mr Scott Gregson  
General Manager  
Adjudication Branch  
Australian Competition & Consumer Commission  
470 Northbourne Avenue  
Dickson ACT 2602  
Fax (02) 6243 1211

Dear Mr Gregson

**Applications For Revocation Of Authorisation A90782 And Substitution By Replacement  
Authorisation A90966 Lodged By Australian Dairy Farmers**

***Purpose of Letter***

We refer to the Commission's request for submissions from interested parties in relation to the above application by Australian Dairy Farmers ("ADF").

***Background on Fonterra***

As the Commission is aware, Fonterra Co-Operative Group Limited ("**Fonterra**") is a New Zealand co-operative owned by more than 12,000 New Zealand dairy farmers and is one of the top 10 dairy companies in the world. Fonterra is also a leading manufacturer of consumer dairy products in Australia through its wholly owned subsidiary, PB Foods Limited ("**Peters & Brownes**"), its wholly owned consumer business, Bonland Dairies, and its 50% interest in Bonlac Foods Limited. Both Peters & Brownes and Bonlac Foods Limited are separately responding to the Commission.

The success of Peters & Brownes with the collective bargaining arrangements in Western Australia with its dairy farmer Negotiating Committee is well known. It is a philosophy of working with parties, not for short-term gain, but for long term mutually successful business relationships. The success of the Peters & Brownes Negotiating Committee under the leadership of the Peters & Brownes' CEO Dr Nigel Thomas, is a model for collective bargaining relationships. As with Peters & Brownes, Fonterra has a corporate philosophy of working closely with its dairy farmers, not just because of our dairy farmer co-operative background, but because of our business philosophy to forge strong business relationships with our suppliers and customers.

***ADF Request For Interim Authorisation***

In these circumstances, we support the extension of the current authorisation A90782 on the basis that any fresh or substitute authorisation is on the same terms. We therefore would support an interim authorisation on the same terms.

Fonterra notes, however, that the ADF submission itself raises some issues that appear to go beyond what is in the Commission covering letter. Accordingly, our support is on the basis that the terms are the same as the current authorisation and that the status quo is maintained. Any changes have the

potential to affect commercial arrangements and create public detriments. Our in principle support for any new authorisation is only on the basis that its terms are the same and that any proposals for extension and change be more clearly set out so they can be considered. Fonterra would of course be prepared to work with our dairy farmers to review any changes so that any changes are for the improvement of the industry.

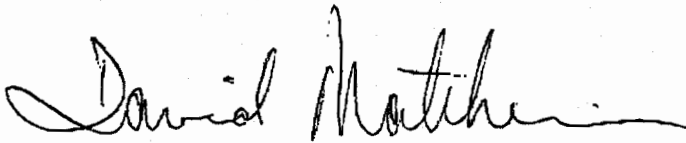
### **Conclusion**

Accordingly, in conclusion:

- 1 Fonterra supports ADF's request for an interim authorisation on the basis it is on the same terms and conditions as the current authorisation A90782 given the success of the Peters & Brownes example in Western Australia and our desire not to see a change in the status quo without more precise explanation of what the ADF is contemplating and an opportunity to respond.
- 2 In relation to the ADF request for final authorisation, while we are supportive in principle, it is first necessary to see precisely what is being contemplated so that the impact of any extension can be considered across all of the Fonterra business operations in the East Coast and through Peters & Brownes in Western Australia.

Fonterra believes in encouraging competitive industries as they result in greater choice for consumers in innovation, quality, price and service. We are also equally mindful of not seeing any regressive steps taken in industry structure or productivity which adversely effect the dairy industry overall. Accordingly, we would be pleased to work with the Commission, other industry stakeholders and dairy farmers in general in relation to creating mutually beneficial outcomes in the Australian dairy industry.

Yours sincerely



David Matthews  
General Counsel  
Fonterra Co-Operative Group Limited