



Fonterra Brands Australia (P&B) Pty Ltd

Head Office
22 Geddes Street Balcatta
Western Australia 6021
Locked Bag 3 Balcatta
Western Australia 6021
Telephone (08) 9441 7777
Facsimile (08) 9441 7700

23 January 2006

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

Attention: Siobhan O'Gara and Susan Philp

Dear Mr Gregson

Application A90962 seeking authorisation of collective bargaining arrangements by Dairy WA

We refer to the submission by Dairy WA dated 6 January 2006 in response to the draft determination by the Australian Competition & Consumer Commission ("Commission") in relation to application for authorisation A90962.

Fonterra Brands Australia (P&B) Pty Ltd ("Fonterra Brands Australia") wishes to clarify a number of matters stated in Dairy WA's submission in so far as they relate to Fonterra Brands Australia.

Fonterra Brands Australia rejects Dairy WA's claim (page 1) in relation to the level of competition for milk supply. In Fonterra Brands Australia's experience, there is intense competition in Western Australia between the various processors. This competition is reflected in the different pricing structure and type of milk supply contracts offered by processors. From our perspective, we are always competing with other processors to ensure we obtain competitive milk supply.

Fonterra Brands Australia also has difficulty with Dairy WA's claim (page 6) in relation to Fonterra Brands Australia's dairy farmer milk suppliers and Negotiating Committee. The Negotiating Committee is independent and Fonterra Brands Australia is a supporter of collective bargaining under the ADF authorisation. In relation to the portrayal of declining milk supply requirements, in fact Fonterra Brands Australia does not expect any material reduction in milk supply requirements in 2006.

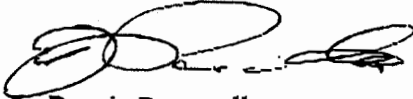
As to the freelance economist's report which is Attachment 8 to Dairy WA's submission, Fonterra Brands Australia has difficulty with its factual foundation. In contrast with the claims made in that report, Fonterra Brands Australia submits that:

- (a) processors in Western Australia do not have distinct "catchment zones" and certainly Fonterra Brands Australia does not;

- (b) processors do have strong incentives to negotiate vigorously with supermarkets and this negotiation is extremely robust; and
- (c) generic milk's share of sales in Western Australia is considerably lower than the 50% stated.

In conclusion, Fonterra Brands Australia wishes to restate its support for the conclusions in the Commission's draft determination, and its support of collective bargaining with dairy farmers under the ADF authorisation.

Yours sincerely



Bernie Pummell
Chief Operating Officer
Fonterra Brands Australia (P&B) Pty Ltd