

NZ Farmer

Opinion

Contact Us

Web: nzfarmer.co.nz
Tel: 07 849 6180

Subscriptions:

0800 651 652

Email: nzfarmer@

fairfaxmedia.co.nz

Mali: Private Bag 3086,

Waikato Mail Centre, Hamilton

Editorial

EDITOR

Jon Morgan

06 364 2096 or 027 447 3648

email: jon.morgan@

fairfaxmedia.co.nz

REPORTERS

Upper North Island

Andrea Fox

027 836 6426

andrea.fox@

fairfaxmedia.co.nz

Anne Boswell

021 283 2056

anne.boswell@

fairfaxmedia.co.nz

Lower North Island

Sonita Chandar

06 374 5544 or 027 836 2035

sonita.chandar@

fairfaxmedia.co.nz

Kate Taylor

027 807 7941

kate.taylor@

fairfaxmedia.co.nz

Co-op comfort has its advantages



GERARD HUTCHING

Fonterra seems to have weathered the storm of the last few years better than other businesses. Whatever its faults, it appears to be doing some things right.

There are times when belonging to a co-operative has its advantages. Fonterra shareholders will be looking across the Tasman and be thankful they are not in the gumboots of Australian Fonterra suppliers.

Last year Fonterra Australia reduced its payments for the 2015-16 season from \$5.75 to \$5 per kilogram of milk solids, but in order to make an average payout price of \$5 for the whole season, it reduced its payout to \$1.91 for the last two months.

Farmers who had been budgeting on a higher return were badly caught out.

Some have gone to the wall; others have opted to take the 3.95 per cent loan Fonterra offered them, while a few have switched to other companies.

Compare how Fonterra in New Zealand handed out \$390 million of interest-free loans to its farmers for almost two years (repayments start in May).

Unlike Australian farmers, Kiwis without citizenship don't qualify for the welfare payments the Australian government is

giving its farmers.

Instead they are relying on charitable handouts from the likes of Lions clubs.

There is an element of buyer beware at work here. Australia changed its rules in 2001 so it's not as if Kiwis shouldn't have been aware of the issue.

On the other hand, there is an element of unfairness. Australian citizens in New Zealand can vote after one year and claim benefits after two.

It is estimated New Zealanders contribute \$5.5 billion in tax annually to Australia's coffers.

Setting aside the plight of the Kiwis, who would be an Aussie dairy farmer?

Seduced by talk of rivers of gold in booming export markets, particularly in China, farmers invested and ramped up production.

Mining magnates Gina Rinehart and Bill McDonald joined in with grandiose plans, which have since been quietly dropped.

At the beginning of 2015, Queensland dairy company Norco said it hoped to build its fresh

milk exports to China to 20 million litres a year. Volumes have fallen well short, at 35,000 litres a month.

Stock market darling Bellamy's, whose shares soared to \$15 before tumbling to below \$4, came unstuck last December following news that Chinese regulations had depressed prices and hurt sales of its infant formula.

The largest processor and a co-operative, Murray Goulburn, has been marred with wholesale resignations, and the prospect of class actions and official enquiries into its pricing policy.

It's not as if farmers or processors have had an easy ride in New Zealand - just ask the many small infant formula manufacturers who have been shut out of the Chinese market.

And belonging to a co-op is no guarantee of safety - just ask Westland Milk Products suppliers.

But Fonterra seems to have weathered the storm of the last few years better than other businesses. Whatever its faults, it appears to be doing some things right.