

Struggle not over for farmers

Dairy farmers face more hardship but are happy with Fonterra's \$834 million annual profit.

The dairy giant made an after-tax profit of \$834 million, up 65 per cent on the year before, in a season the co-operative chairman John Wilson described as incredibly difficult for farmers and rural communities.

Fonterra would pay out \$4.30 for the 2016 season, made up of a farmgate milk price of \$3.90 per kilogram of milk solids (kg MS) and a dividend of 40 cents a share.

South Canterbury dairy farmers are happy with Fonterra's profit, but debt still looms large for many with another two to four years of hardship in store.

South Canterbury dairy chairman for Federated Farmers

“It has made everyone focus on profitability rather than production and look at their budget critically.”

Ryan O'Sullivan agrees that two years is a good estimate for farmers to get back on track.

“It will be somewhat variable, depending on farmers debt levels and financial management skills.

“Even with this payout there won't be a lot of cash around until the following season.”

Strang said the after-tax profit announcement came as no surprise. Fonterra had been “open with communication” and in a low payout year the dividend was a good result, he said.

Chief executive Theo Spierings said the results showed Fonterra was doing what it said it would do.

“Our results show how our strategy is creating value for our shareholders.

“We are driving more volume into higher value products, and we are achieving results with increasing efficiency.

“We will continue to build on this strong platform to keep improving and delivering results to our farmers.”

Federated Farmers dairy

chairman Andrew Hoggard said the low milk price compared to Fonterra's high profits needed to be seen from an economic rather than emotional perspective.

“As farmers we need to see a milk price that's completely and utterly reflective of what milk is worth in the world, and then we want to know how our company is performing and turning that milk into value-added products and adding value to that milk.

“To me, \$3.90/kg MS tells me there's [plenty] of milk in the world and the world is awash in it, but the dividend and the performance – that tells me that Fonterra's doing a good job in maximising the return of that milk.”

If Fonterra transferred those profits into a higher milk price, farmers may not have reacted like they had over the past year by reducing their stocking rate and brought-in feed levels.

He said the fact the co-operative could make a profit in challenging times and reduce debt levels was a credit to them.



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