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1 September 2020

**By email**

The Commissioners  
Commerce Commission  
44 The Terrace  
Wellington

**REVIEW OF FONTERRA'S 2019/20 BASE MILK PRICE CALCULATION: DAIRY INDUSTRY  
RESTRUCTURING ACT 2001**

We have reviewed the Commission's draft report on the above review. We appreciate the work undertaken by the Commission on the review to date and acknowledge the Commission's draft overall conclusions that:

1. With the exception of its conclusion on the asset beta adopted by Fonterra, the assumptions adopted, and the inputs and process used by Fonterra to calculate the 2019/20 base milk price are consistent with the contestability dimension of section 150A of DIRA; and
2. The assumptions adopted, and the inputs and processes used by Fonterra to calculate the 2019/20 base milk price are consistent with the efficiency dimension of Section 150A of DIRA.

In light of the above draft conclusions and recognising the recently enacted DIRA changes to provide further guidance on the setting of an appropriate asset beta and our intention to adopt potential new values for the asset beta and specific risk premium in the base milk calculation for the 2020/21 season, Fonterra does not intend to provide a substantive submission in connection with the draft report.

Yours sincerely

A handwritten signature in blue ink, appearing to be "AC", written over a light blue horizontal line.

**Andrew Cordner  
Director of Legal**