



Matthew Lewer
Regulation Branch

16 November 2020

Email to: Regulation.branch@comcom.govt.nz

Dear Matthew,

We would like to thank you for giving Synlait Milk Limited (Synlait) the opportunity to make a submission on the Draft Report on the 2020/21 Milk Price Manual review (the draft report).

We note that a significant portion of the draft report is once again dedicated to encouraging Fonterra to improve transparency around several inputs. We continue to support efforts to improve transparency across the regime and note that it remains poor, inhibiting meaningful engagement with the process in key areas. We support all the Commerce Commission transparency requests in the draft report and make comment on three inputs below.

FX is a particularly material input into the milk price regime, with poor transparency provided through imprecise information in annual statements currently. In paragraph X14 of the draft report the Commerce Commission appear to suggest that Fonterra introduce quarterly milk price statements.¹ Synlait would support the additional level of disclosure a quarterly milk price statement would deliver. FX rate assumptions, captured four times a season in these statements, would greatly improve transparency. These additional statements would also be the logical place to include other key notional producer assumptions such as the revenues achieved including premiums achieved from off GDT sales.

We support the Commerce Commission request for the list of all products that constitute 'Generic product specifications' to be included in the Manual. Disclosure of this information in the manual would enable independent processors to better assess the notional revenues achieved in the milk price calculation as well as other production linked inputs.

On the capacity of standard plants, we agree with the Commerce Commission that to be meaningful the timing of this disclosure is critical.² This disclosure, when made after the season has finished carries little additional transparency value. Capacity requirements need to be made ahead of peak production, as occurs in the real world.

¹ Commerce Commission "Review of Fonterra's 2020/21 Milk Price Manual" (15 October 2020), paragraph X14.

² Commerce Commission "Review of Fonterra's 2020/21 Milk Price Manual" (15 October 2020), Table A1.

Synlait

Yours faithfully,

A handwritten signature in black ink, appearing to read 'L. Clement', written in a cursive style.

Leon Clement

CEO Synlait Milk Limited