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Dear Alex

**Fonterra “Co-op Support” Loans to Shared-Up Farmers: Relevance to Dairy Competition Review**

Fonterra’s announcement that it is providing interest-free loans to shareholder farmers raises concerns both for the Commission’s DIRA review and also the milk price calculation.

There are very few of the loan terms which are currently publicly available.

Open Country is absolutely committed to helping farmers through what are difficult times, and we as an industry must look for ways to do so.

However, we are keen to ensure that farmers in their time of need are not being taken advantage of. We are concerned that the interest free loans (and any requirements to pay interest on exit) may limit open exit. We are also concerned that financing these interest free loans will involve significant costs—and these need to be incorporated in the milk price calculation.

We further understand that some bankers are encouraging their clients to take out the loan even though they consider there to be a risk that their clients will be locked in to Fonterra as a result.

We refer the Commission to Synlait’s letter to the Commission of 12 August 2015 letter. Open Country shares Synlait’s concern about the lack of transparency around the terms of these loans, as without knowing the terms it impossible to know whether the loans are consistent with open exit. We suggest that the terms of the loans be made more widely available, and that the Commission confirm that the terms of these loans do not interfere with open entry and exit as part of the DIRA review.

If any of these concerns are valid then it is imperative that they are considered and commented on by submitters in the current review.

We therefore urge the Commission to investigate the terms of these loans as a matter of urgency to ensure that open exit principles are not impacted by these terms, and to advise all submitters (including Open Country) on the outcome of this investigation—allowing submitters to comment specifically on this matter as part of the review.

Best regards,

Steve Koekemoer  
Chief Executive Officer  
Open Country Dairy Ltd