



Susan Brown  
Commerce Commission  
44 The Terrace  
Wellington 6140

Dear Susan

12 August 2015

**By email**

## **FONTERRA LOAN TO SHARED-UP FARMERS**

You will have recently noticed that Fonterra has announced a "Co-op Support" program for their farmer shareholders.

This loan will apparently allow farmers who hold Fonterra shares to borrow up to \$0.50 per kgMS on an interest free loan for up to two years, or when the Milk Price or advance rates exceed \$6 per kgMS. Please see the link below to the Fonterra Press release:

<https://www.nzx.com/companies/FCG/announcements/268105>

Naturally, Synlait does not have an issue with Fonterra lending their farmers a bail-out loan through what is a very difficult period for all dairy farmers.

What does concern us is that the details of this loan have not been made publicly available. Our interest in this matter is to ensure that this loan does not interfere with fair entry and fair exit provisions within DIRA. We are concerned that by the time these details are made public that farmers will already be participating in a scheme that locks them into supplying Fonterra for a period longer than DIRA allows, meaning they are unable to leave during the DIRA application period.

We think that it would be prudent for the Commerce Commission to approach Fonterra and confirm that the terms of this loan will not interfere with fair entry and exit, or any other aspects of competition law.

Yours sincerely



**Dr John Penno**  
**Managing Director & CEO**  
**Synlait Milk Limited**