

30 March 2023

[By email to: Dairy Stakeholder Group]

Tēnā koutou katoa,

We seek your views on our milk price manual and calculation review Approach Paper

1. The purpose of this letter is to invite interested stakeholders to comment on updates to our document ‘*Our approach to reviewing Fonterra’s Milk Price Manual and base milk price calculation*’ (**Approach Paper**).^{1 2}
2. The letter provides timeframes for consultation, information for submitters about the form of submissions and the next steps in our process.

Background to this consultation

3. The Dairy Industry Restructuring Act 2001 (DIRA) requires us to complete two separate, but related, reviews of Fonterra’s setting of the base milk price for each dairy season – a review of Fonterra’s Milk Price Manual (**the Manual**) and a review of the base milk price calculation (**the calculation**).
4. The purpose of the Approach Paper is to provide an overview of our approach and the framework we use in the annual reviews of the Manual and the calculation, including our interpretation of key legislative provisions and a summary of how the base milk price is set.
5. We recommend stakeholders use the Approach Paper as a frame of reference when considering our review reports on the Manual and the calculation. It provides additional context for the conclusions and reasoning surrounding our Manual and calculation reviews. The Approach Paper also forms part of our Manual and calculation draft and final reports.
6. We first published the Approach Paper in 2016. When appropriate, we update this paper with any changes in our approach. Today we have published a draft Approach

¹ See ‘Our approach to reviewing Fonterra’s Milk Price Manual and base milk price calculation – 5 July 2021’ available on the Commerce Commission website at <https://comcom.govt.nz/regulated-industries/dairy/milk-price-manual-and-calculation/our-approach-to-the-milk-price-manual-and-milk-price-calculation-reviews>

² The Approach Paper provides an overview of the framework we use in these annual reviews, including our interpretation of key legislative provisions and a summary of how the base milk price is set.

Paper with updates to reflect recent amendments to DIRA from the Dairy Industry Restructuring (Fonterra Capital Restructuring) Amendment Act 2022.

7. Some of the recent amendments to DIRA came into effect on 1 January 2023, while others take effect from 1 June 2023. We have drafted the paper on the basis that all the amendments will be in effect when the final approach paper is published.

Invitation to comment

8. We welcome stakeholder views on the amendments to our draft Approach Paper before we finalise the paper. Your views will help inform our approach to the current review of the 2022/23 milk price calculation and future Manual and calculation reviews.
9. To assist submitter's feedback, we have provided both a 'clean' and 'tracked' version of the draft Approach Paper. The 'tracked' version shows amendments from the latest version of the Approach Paper, published in July 2021.³
10. Copies of both versions of the draft Approach Paper can be found on our [website](#).

How to submit

11. Submissions on the draft Approach Paper must be provided to us no later than **12 noon, 27 April 2023**.
12. Please address all submissions to:

Keston Ruxton, Manager, Fuel and Dairy
c/o market.regulation@comcom.govt.nz

Subject line: Submission on - Approach Paper - Milk Price Review

Format of submissions

13. We prefer submissions in both a format suitable for word processing (such as a Microsoft Word doc), and a 'locked' format (such as a PDF) for publication on our website.
14. The protection of confidential information is something the Commission takes seriously. We ask you to provide (if necessary) both a confidential and public version of your submission and to clearly identify the confidential and public versions.
15. When including commercially sensitive or confidential information in your submission, we offer the following guidance:

³ We have not tracked edits where they do not include new content or change the meaning of the existing text.

- 15.1 Please provide a clearly labelled confidential version and public version of your submission. We intend to publish all public versions on our website.
 - 15.2 The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
16. Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reason exists under the Official Information Act 1982 to withhold it. We would normally consult with the party that provided the information before any disclosure is made.

We are also consulting on our proposed focus areas for the 2022/23 calculation review

- 17. We have also published our proposed focus area for the review of Fonterra's milk price calculation for the 2022/23 year.
- 18. We welcome feedback on our proposed focus areas paper including:
 - 18.1 Whether the proposed focus area should form part our review and whether there are other focus areas that should be included; and
 - 18.2 Any relevant information about the proposed focus area or any further proposed focus areas.
- 19. Our proposed focus area for the review of Fonterra's milk price calculation for the 2022/23 year, including information about how to submit on that document, can be found on our website at [here](#).

Next steps

20. We will publish submissions received on our draft Approach Paper on our website in April 2023.
21. We will publish our final Approach Paper by 1 August 2023.
22. The table below sets out the next steps in updating our Approach Paper and our review of the 2022/23 milk price calculation.

Next steps	Indicative date
Submissions on draft Approach Paper and proposed focus areas paper due	27 April 2023
Final Approach Paper published by	1 August 2023
Draft report on the review of milk price calculation published by	1 August 2023
Submissions on the draft report due	15 August 2023
Final report on the review of milk price calculation published by	15 September 2023

23. For more information on our review of Fonterra's milk price manual and calculation, please refer to our [website](#).

Ngā mihi,

Keston Ruxton

Encl.