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REVIEW OF FONTERRA'S 2017/18 MILK PRICE MANUAL

We set out in this letter Fonterra's response to the Commission's draft report on its review of Fonterra's 2017/18 Milk Price Manual, released on 13 October 2017 ("Draft Report").

We welcome the Commission's overall draft conclusion is that the Manual is largely consistent with the section 150A purpose statement. We have previously commented on the Commission's recommendations with respect to transparency and on the matters summarised in Attachment B of the Draft Report. We continue to hold the views on these matters stated in the Draft Report and therefore do not have any additional comments on these matters.

We note one minor matter, relating to the Commission's characterisation of the treatment in the Manual of the capacity of standard plants. In paragraph 28 of the Draft Report the Commission explains that "as outlined in previous calculation reviews, we consider the [treatment of standard plant capacity in] the Manual to be inconsistent with the purpose in s 150A." The Commission has not previously stated that it considers this treatment results in an inconsistency with s 150A; rather, the Commission has raised this as a matter on which it would like to see more disclosure in the Manual, per the commentary in Attachment B of the Draft Report. We ask that the Commission's position be clarified in the Commission's final report.

Please contact me if you have any questions or would like further information.

Yours sincerely



Andrew Cordner
Director Legal