

Submission to Commerce Commission

Re; Fonterra Milk Price Manual 2017

From; Stuart and Lorae King

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1. We note the Commission's comment that **products must be** classed as **commodities** for them to **qualify as reference products** in establishing Fonterra's Farm Gate milk price.
2. To address farmers concerns that **Fonterra** is presently **using an unnecessarily narrow range of reference products** we ask that Fonterra **consider adding the commodity product stream that results from manufacturing a cheese, casein and co-product product range**. There may be concerns that cheese alone does not improve the milk price but it is our **understanding that the associated product range does add value**.
3. **Fonterra is operating under the constraint of only using reference products for which there is local market manufacturing competition**. Farmers consider this to be unhelpful if it leads to products which could add to the milk price being rejected as reference products. Fonterra's policy of adopting a so called "**competitive**" **Farm Gate milk price needs to be reviewed** because the resulting milk prices are resulting in **under resourced dairy farmers**.

Is there a **DIRA requirement that reference products must have local market manufacturing competition?**

Summary

While farmers have faced very low international milk prices for the F15, F16 years they ask that the Fonterra milk price manual produce a **Farm Gate milk price that reflects** as closely as possible **the value proposition of the range and make-up of the commodity products** produced in a season by Fonterra.

They believe that fully **exploring adding more valuable reference products and by removing unnecessary constraints to additional reference products will help**.

The **Fonterra Farm Gate milk price sends an influential price signal to all New Zealand's dairy farmers**. Our sharemilkers depend on it for the bulk of their dairy income. **It should reflect as closely as possible value of the commodity products produced by Fonterra from their farmers milk**.

The **present system for distributing Fonterra's milk income may be working well for the company** but it is **not sustaining Fonterra's farmers and furthermore influentially impacting all New Zealand Farmers**. We believe our suggestions will help give a milk price that better reflects the Farm Gate value of Fonterra farmers milk and sustain an industry that underpins NZ Inc.

Stuart and Lorae King