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Last-ditch effort to derail dairy mega-merger

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Eight dairy farmers and seven professional people yesterday launched a last-ditch campaign to derail the proposed industry mega-merger.

They declared their preference for an alternative industry structure a week after directors of the country's two dominant dairy co-operatives announced their 14,500 shareholder-suppliers will vote for or against the mega-merger on 18 June.

At least 75% shareholder support is needed to unite NZ Dairy Group, Kiwi Co-operative Dairies and the Dairy Board and create the Global Dairy Company, a near-monopoly.

The government has exempted the deal from Commerce Commission scrutiny but new legislation will be required.

The farmers who hope to stall the mega-merger have set themselves up as "A Better Dairy Deal." They say the Global Dairy plan is too risky and could be too expensive for dairy farmers, considering its need for some $4 billion in developmental capital.

They were fronted yesterday by Mark Masters, past president of Dairy Farmers of New Zealand; Malcolm Bailey, former president of Federated Farmers; and Hilary Webber, former director of NZ Dairy Group.

They are supported by Tony Baldwin, leader of the producer board reform team in 1999; Geoff Sinclair, a member of the reform team; Stephen Franks, ACT MP; Gareth Morgan, economist at Infometrics; and David Russell, a New Plymouth accountant.

The group was setting up a website to promote the options it prefers and hoped to mail a package of information to farmers.

A small carton of documents stating the case in favour of a "yes" vote has already been sent to farmers by promoters of the mega-merger.

Pitching to win at least 25% support, the group says it's smarter to stall the mega-merger rather than blunder on with a scheme they regard as flawed.

They cite several shortcomings under the mega-merger, including a six-year wait before potential competitors can enjoy the same access to the quota market as Global Co and the lack of a proper measure of Global Co's performance or efficiencies at maximising market returns for farmers.

Global Co's share value would be set annually by an independent agency using information provided by management.

The dissident group is promoting an option it maintains was preferred by McKinsey and Co.

Under this option, the two processing companies would continue to operate as separate competing companies and the Dairy Board would continue to market commodities and basic ingredients.

But another company would be established, based on the board's NZ Milk business unit, to market value-added and consumer dairy products.

More than half the shares in the consumer-goods marketing company would be held jointly by NZDG and Kiwi Farmers would hold the rest.

Farmers would receive one payout for the manufacture of commodity-type products, or basic processing; they also would get a dividend on their shareholding in the company which adds value to the raw milk.

The McKinsey report on the dairy industry was the basis for a previous plan to create Merge Co, which was rejected in an interim report by the Commerce Commission.

Launching the campaign against Global Co, Masters railed against the bypassing of the Commerce Commission as "a disgusting abuse of correct commercial process.

"This is not a healthy basis on which to make one of the most important decisions of our lives," he said.

Global Co chairman John Roadley responded that 64 options initially were examined by industry leaders.

These have been whittled down to one for farmers' consideration. "This last-minute proposition is just not credible," Roadley said.