

22 February 2005

To the Editor of
THE DAIRYMAN
300 Great South Road, Greenlane,
Auckland.

Dear Sir,

I read with some amazement the article by Aaron Smale in your February issue, in which he reported more or less verbatim what Mr. Tony Baldwin has to say about Fonterra's intentions to merge with National Foods in Australia. My amazement is caused by the fact, that you print these opinions, which can only be described as naïve, uninformed, lacking fact and full of innuendo.

Mr. Baldwin demonstrates that he does not understand how the negotiation process for a merger works and that distributing information about Fonterra's rationale for this merger to the press or to its 12,000 shareholders is the same as sending this information straight to the Board of National Foods or to the Chairman of San Miguel. He makes statements about opinions of Fonterra's farmer shareholders as if he has just got hold of some imaginary survey results, in which farmers say, that they don't want this merger and that they have no confidence in the Board and Management of Fonterra. Having been part of this farmers community and its extensive range of communication meetings for 25 years, I am convinced, that this is not a prevalent opinion amongst farmers. Of course farmers bristle when they look at the billions to be invested in National Foods. But I have as yet to hear a general opinion, that this is an unwelcome deal, where farmers do not want to be part of. For decades we have been saying, that we should consider Australia and New Zealand as one market. So it is logical that New Zealand companies try to get a foothold in Australia. For Fonterra more so, because Fonterra can sell more dairy products than it can produce from NZ milk, so Australian milk is a welcome extra resource. And that is a separate consideration to having a better access to the Australian consumers with some strong brands.

Statements like: quote: A co-op is completely production driven – unquote: show how far behind Mr. Baldwin is. Fonterra is now one of the largest dairy companies in the world and cannot be successful by just being production driven. I can only succeed, if it makes the products which its customers and consumers want. Therefore one of the top brand specialists was attracted from Unilever in Holland and he is now heading New Zealand Milk. This man will show how wrong Mr. Baldwin is with his statement, that 12,000 dairy farmers do not have enough capital to develop consumer brands. It is expected that the costs of supporting NZ Milk's consumer brands will significantly decrease. Moving into value added products is not at odds with the primary focus of a co-operative. For decades dairy farmers have been critical of their dairy companies and the Dairy Board for focusing too much on commodity products, wanting the product mix to include more and more value added products. Dairy farmers also are in general very opposed to opening the co-operative to outside capital, as Mr. Baldwin proposes. If Mr. Baldwin would take a brief look at Fonterra's balance sheet, he would have known that Fonterra has no problem with sourcing the funding for all its activities.

You describe yourself as "The Independent Voice of New Zealand's Dairy Industry". It seems that Mr. Baldwin is neither independent, nor does he seem to be part of the Dairy Industry. His statements are so far off the mark, that one is excused to think, that he may have been under the influence of a "few too many" and probably that was not a few too many glasses of milk!!

Kind regards,

Willem Jonkers
18 Kildonan Place
Tauranga.