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Fonterra names a date for shake-up plan

Fonterra's board will tell farmers about its preferred option for a capital restructure of the company within two weeks.

The dairy co-operative said yesterday it would hold seven satellite-linked meetings nationwide on November 15 to unveil the alternatives and the preferred choice, but would not discuss the options before talking to farmers. Speculation had been brewing that the company was looking at some form of partial listing.

Analysts have said a sharemarket float of Fonterra's brands business - which includes Anchor, Mainland and Tip Top and has an operating revenue of $4 billion - would be eagerly sought by investors.

However, Dairy Farmers chairman Frank Brenmuhl has said farmers felt they needed a good reason to give away any control of the company.

Fonterra is reviewing its capital structure to take advantage of global dairy market opportunities, tackle a redemption risk of owners selling up and cashing in their shares, and to provide farmers with more investment choice.

Chief executive Andrew Ferrier said the capital structure review was about future-proofing the company.

"This is a case where there's no panic today," Ferrier said.

"We don't need a capital structure change, we don't have acute redemption risk today, we don't have a groundswell of shareholders saying they want more [investment] choice and we don't need capital for growth today, but we will down the road and capital structure changes take a long time to occur."

The review would be a lengthy process during which Fonterra needed to be careful to take farmers along, Ferrier said.

"I'm just glad that we're recognising it today because if we weren't I could very well find myself in three years at a bit of crisis and no way to fix it."

The redemption risk had always been theoretical as growing milk solids meant equity was rising not falling.

But the more success Fonterra enjoyed the higher the share price rose and the more compelling it became for farmers to call it a day and sell back their shares, plus the harder it became for new farmers to join, he said.

"So maybe $6.76 isn't the point but if the shares get up to $10 or $11 down the road it's going to become much more likely that farmers may want to redeem so that's why we say status quo's not acceptable."

Ferrier said there would also come a point when Fonterra's appetite for growth internationally would be more than farmers wanted to finance.

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