

Mega merger: Farmers face big risk with Global Co - Baldwin

Tony Baldwin admits that two years ago he was an agnostic when it came to dairy industry politics.

"I had no view whether the Dairy Board or the co-operative structure was effective. I'm an intellectually honest person - certainly in the public service sector I'm known to be pretty straight," says the leader of the previous Government's Producer Board Project Team (1999) and policy adviser in the Department of the Prime Minister and Cabinet from 1991-98.

"I spent about six months with an open mind. But I became particularly dismayed at the way the farming leadership was trying to manipulate farmers and not inform them of their choices. It's bad business, bad public policy and bad for the country."

Mr Baldwin, now well known for his opposition to the mega merger, was in Taranaki last week to address the Dairy Farmers of New Zealand Taranaki branch annual meeting.

"The PR machine is so slick that no one else is expressing an alternative view. It's not professionally enhancing for me but having spent years on the inside I felt obliged to share what I'd seen."

Mr Baldwin said his biggest concern about the proposed Global Dairy Company was that farmers would face a much larger overseas investment risk than now.

"If I was a farmer I'd like to be able to choose whether I put my money in overseas investments. I might want to use the money on my farm or buy a bach. I may want to spread my investment so I can set up a superannuation scheme. I'd like to choose how much I put overseas in foreign milk and who manages it."

"GDC will need to raise up to \$15 billion in capital. And that can only come from farmers or banks. That has me fairly worried."

Mr Baldwin said the better option was two vertically integrated exporters - Dairy Group and Kiwi with the Dairy Board corporatised.

Kiwi would then have two choices.

"They stay as a joint venture marketer with Dairy Group which effectively is what they are now or they sell their shares in the Dairy Board to Dairy Group so they get a large bundle of capital and go and buy a marketing operation.

"You'd finish up with two Australasian milk exporters. It would be like Qantas and Air New Zealand.

"Both companies could become larger than GDC. Farmers would have the benefit of real benchmarking and performance monitoring and New Zealand consumers would have a choice."

Mr Baldwin said a vote against GDC was not a vote against becoming global.

"If you vote against it you can support the objectives but demand a better mechanism. But the PR machine is set up so if you do vote against it you're seen as a heretic or anti co-op or pro right wing or you're a Business Round Table supporter.

"What you're actually saying is I'm a businessman who wants to maximise my investment over the next five to 10 years."

Mr Baldwin said it had become a competition between the board and the co-operatives to win the PR battle with farmers. The pros and cons had never been explained in a way they could make an informed decision.

"They've only ever been told one thing. It's a faith - for a lot of farmers this is the only way. And it's hard for people to change their faith until lightning bolts from the sky. But this is a business, not a religion.

"Even though Federated Farmers says it is a done deal, I don't think it's too late if farmers want to try to improve this. GDC can be made better. There's a lot of water to go under the bridge before GDC gets

off the ground. It's not GDC or nothing, but the GDC people have made a good job of creating a climate of now or never. It's all PR hype.

"If I was a farmer I'd at least want to send a message to them I'm not just public relations fodder and I do want stronger accountability and stronger safeguards in overseas investment. I want a competitive benchmark."