

STUFF — WAIKATO TIMES — RURAL — 2 APR 2002

# Fonterra spending 'farmers' money'

By MARY ANNE GILL

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A leading dairy industry commentator says Fonterra's joint venture deals with Nestle and Britannia are being funded with money that would normally be paid out to farmers.

Tony Baldwin, who led the Producer Board Reform Team three years ago, said the joint ventures would cost up to \$3 billion.

"I wonder how many farmers have consciously thought about whether they want to invest that much in overseas milk production and processing," he said.

"If they had a choice would New Zealand dairy farmers choose to put their money into these overseas projects."

Fonterra this week confirmed a billion-dollar alliance with Nestle in the North and South American dairy markets. The 50:50 joint venture will be called Dairy Partners Americas. Turnover in the first year is expected to be about \$3.21 billion.

At the same time the dairy giant announced an alliance in India with Britannia Industries.

Mr Baldwin said when the kiwifruit industry set up Zespri International with a very similar mission, it only managed to raise 60 per cent of the share capital needed.

He also wondered how the risks and returns were shared by Fonterra and its partners.

"Will Nestle's shareholders carry the same risks as Fonterra's? Do they rank equally in sharing any losses? Or are Fonterra shareholders seen by Nestle and others as a 'soft touch'?"

Governance by committee -- the Nestle joint ventures see joint chairman and executives -- would need to be based on clear and effective decision-making. The lines of accountability would need to be very clear.

"New Zealand businesses have a very poor record in making large overseas investment decisions. Even Telecom is struggling with its Australian teleco investment -- it is sucking up much more money than originally expected. Why would Craig Norgate and John Roadley be any better at it?"

It was important farmers looked at the deal without rose-tinted glasses, Mr Baldwin said.