

# The New Zealand Herald

18 DECEMBER 2006

## 'Dairy Equity hoping for Fonterra share float'

---

Dairy Equity says the prospect of a Fonterra public share float is partly why it likes having beneficial rights to the co-op's stock.

Fonterra confirmed late last week that no option - including a full or partial float - will be ruled out as it looks at its capital structure next year.

Dairy Equity's Geoff Taylor said yesterday one reason his company liked having exposure to Fonterra was the fact a float could see the value of the co-op's shares surge.

But Taylor, a former senior Fonterra manager, believed there was a low probability of a float in the short-term and that it was more likely to happen in 5-10 years.

His comments came as Dairy Equity - which pays farmers cash for beneficial rights to their Fonterra shares - announced it had agreed to buy rights to another \$2 million worth of shares at \$6.80 a share, 24c a share above the current official fair value share price.

The company has promoted its scheme as a way for farmers to relieve debt financing pressures.

It said the Ministry of Agriculture and Forestry was forecasting that more than half of dairy farmers would run a cash deficit this financial year, and that it seemed dairy farmers would not be able to rely on capital gains from land and shares in the medium term to increase their wealth.

Dairy Equity said it was good that Fonterra was still forecasting value-add returns of 45c/kg of milk solids but believed an outcome of 40c/kg was more likely, given factors such as the stronger dollar and lower returns from quota markets. The value-add returns are paid to Dairy Equity investors under the company's scheme.

The forecast 45c/kg return and an expected flat Fonterra share price next season meant Dairy Equity's current net asset backing was 49c a share.

ENDS