



Market Announcement

20 October 2022

Communication to Fonterra farmers

The attached communication was provided to Fonterra Co-operative Group Limited farmers by the Chairman, Peter McBride, on 20 October 2022.

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For further information contact:

Fonterra Communications
24-hour media line
Phone: +64 21 507 072

CHAIRMAN'S EMAIL

20 OCTOBER 2022

Subject: DIRA Select Committee hearing & He Waka Eke Noa

Dear [name]

DIRA Select Committee

This morning the Co-op addressed the Primary Production Select Committee to put forward our verbal submission on the proposed legislative changes that will enable our Flexible Shareholding structure to take effect.

I was joined at the Committee hearing by Scott St John, Independent Fonterra Director and Chair of the Milk Price Panel, and by Emma Parsons, the Co-op's Managing Director Strategy and Optimisation.

Your Co-operative Council also addressed the Committee with its own submission on Tuesday.

You can read the Co-op's submission [here](#)

You can read the Co-operative Council's submission [here](#)

He Waka Eke Noa

Separately, I'd also like to address the He Waka Eke Noa (HWEN) consultation document that the Government released last week.

The Co-op supports the intent of HWEN, which is a partnership of 13 members of the agriculture industry – including DairyNZ and Beef+LambNZ. It clearly aligns with our strategy of focusing on sustainable New Zealand milk.

The Government has adopted some of the principles the HWEN partnership recommended, but its proposal differs on a number of key points. The primary sector worked on HWEN as a total package, to achieve equity on emissions reductions and pricing. The Government's changes now create an imbalance within the sector that needs to be addressed during consultation.

Included in the proposal is the introduction of a farm-level, split gas levy for pricing agricultural emissions with incentives and recognition of sequestration, which we support because it enables farmers to directly benefit from decisions they make on farm.

Globally, our customers want to understand the emissions profile of the dairy products they buy. Yes, we are already one of the most emissions efficient producers of dairy in the world. But we need to work hard and be innovative just to maintain this valuable advantage.

Doing nothing is not an option.

Having a farm-level, split gas levy that aligns with our customers' and communities' desire for low carbon dairy production is a better outcome than what might have been achieved through

the Emissions Trading Scheme – which is the default outcome by 2025 if consensus on HWEN is not achieved.

Like DairyNZ, we have reservations about the Government's current approach to the levy price setting process, governance, and sequestration accounting. We will be seeking changes on these issues and working with DairyNZ to support farmers to engage in the process. It's important that the final package works for the primary sector as a collective, so all voices need to be heard during the consultation process over the next six weeks.

This is not a simple issue, and we acknowledge the unease it is creating in our rural communities. It's important that we have a conversation based on facts, so I encourage everyone to read the summary of the recommendations available [here](#).

Starting today, DairyNZ is holding a series of farmer meetings to discuss the Government's proposal, share concerns with farmers and seek feedback. For more information, or to register, visit www.dairynz.co.nz/proposal

Peter.