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Changes to the Dairy Industry just around the corner

The Dairy Industry Restructuring Amendment Bill (No 3) ("Bill") is currently on its third reading in the Parliament. This Bill amends the Dairy Industry Restructuring Act 2001 to remove some regulatory requirements that are no longer necessary, support and encourage better environmental performance of the dairy industry, provide Fonterra with more flexibility to manage some aspects of its operations, and provide increased clarity on aspects of the regulatory regime for Fonterra and other dairy industry stakeholders.

Some of the provisions in the Bill worth noting are:

Reduced obligation to accept new milk

It will allow Fonterra to refuse to accept milk from newly converted dairy farms and from farmers who would not be able to meet Fonterra's terms of supply such as environmental, employment, or other standards.

Reduced obligation to sell milk to other processors

It will also reduce Fonterra's obligation to sell raw milk to other processors. This change would come into effect from 1 June 2023.

Milk price

It will allow Fonterra to pay different prices for milk on the basis of matters set out in Fonterra's terms of supply, such as a farm's measures to protect the environment, animal welfare, and health and safety, subject to the existing requirement that Fonterra not discriminate between suppliers in similar circumstances.

Calculation of the base milk price

It will limit Fonterra's discretion on how it calculates the base milk price. Fonterra's current (capital asset pricing) methodology will still be used however the "asset beta" estimate will now have to be consistent with those of other dairy and commodity processors.

We will provide updates on the Bill as it progresses through Parliament.

In the meantime, if you have any queries regarding the Bill or we can be of assistance, please contact our commercial team.

