

Congratulations to Fonterra for wanting its staff to connect to its roots in the Waikato. Let's hope that Fonterra does the same, simply by sticking to its knitting of adding value to all milk and getting better prices, rather than building empires in China, USA and South America.

The worst thing about what they have done and are doing, is that they are teaching those countries our low cost dairying, which is New Zealand's production advantage, which I thought everyone knew, so would not give away at the expense of our farmers - and country.

They are teaching China and other potential competitors low cost farming, after which China will refuse to pay us more for ours. Producing pasture in New Zealand costs about 30 cents per kg of dry matter, 7 cents for the pasture growing costs and 23 cents for the value of land. Chinese grazing land costs a small fraction of ours, so they will just look at the 7 cents.

If Fonterra had done research they would have found out that doing safe and successful business in China is difficult. I know of three companies that have pulled out because of quality problems.

A New Zealand manufacturer sold large patented machines in China which were then copied and marketed there. The NZ manufacturer won a patent court case, after which he was asked on the court steps, "What are you going to do now Mr Kiwi, invade us, because we are going to continue making and selling them."

There are some good ones, but remember that New Zealanders are treated as foreigners.

Since Fonterra started, they have borrowed about 5 billion dollars (\$476,000 per farmer), and what do they have to show for it in higher milk payouts to their shareholder/producers? Nothing, but half of it lost - \$238,000 per farmer, gone forever.

Fonterra shares have dropped in value from \$7 to \$4.52 causing the average dairy farmer to lose \$250,000, making a total loss close to half a million dollars from each dairy farmer.

Add to the above, Fonterra allowing auction bidders to set the price of the world's best sunshine and pasture fed milk, containing five times more unsaturated fat (conjugated linoleic acid) than northern hemisphere milk from housed cows not fed pasture. CLA helps the heart and helps achieve weight loss.

If things continue like they have over Fonterra's first ten years, it will be up for auction, because their milk will then come from the distant suppliers, because the Chinese and others will build factories in the concentrated areas.

In 50 years our farmers have doubled milk production per cow and doubled pasture yield per hectare and increased the number of cows milked per person from 60 to 300. What more can our farmers do to survive? No other industry can match their efficiencies.

Draw a milk payout graph and it shows that in another 50 years farmers will have to pay Fonterra to come and take the milk away - or be prosecuted for pollution!

There has been talk of Fonterra allowing share sales to all and sundry. I thought that only the government was committed to selling our golden geese assets.

Taranaki Savings Bank and Gallagher Group Ltd have been so successful because they don't have shareholders applying pressure for higher dividends.

Many small farmers, unable to buy larger farms, could buy shares and get more voting power than larger suppliers.

I don't like not having solutions. There are some in GrazingInfo relating to a fixed exchange rate at 75 cents to the US\$ and interest rates at 5%.

Please realise that you can't survive in any business by borrowing at more than you earn. The best farmers make only about 5% and LandCorp makes only 3 or 4% on their investments, which is something the Chinese have not yet discovered!

Some subscribers have reduced their cow numbers and buying of feed, and some their number of farms so feel more secure, less stressed and happier.

Vaughan Jones
GrazingInfo Ltd