

17 August 2026

Tony Marshall
Dairy Manager
Commerce Commission



By email: dairy@comcom.govt.nz

Dear Tony

REVIEW OF FONTERRA'S 2025/26 BASE MILK PRICE CALCULATION: DAIRY INDUSTRY RESTRUCTURING ACT 2001

We have reviewed the Commission's draft report on the above review. We appreciate the work undertaken by the Commission on the review to date and welcome the Commission's draft overall conclusion that the assumptions Fonterra has adopted, and the inputs and processes it has used to calculate the 2025/26 base milk price are consistent with the contestability and the efficiency dimensions of the s 150A purpose.

We acknowledge the Commission's observations on matters relating to the drafting of the definition of lactose freight costs, noting that the methodology used to calculate lactose freight costs remains unchanged and consistent with the contestability and efficiency dimensions of s 150A. In the milk price manual for the 2026/27 season, Fonterra has amended the definition of "Lactose Price", clarifying that lactose freight costs are not a component of the "Lactose Price" as defined in the manual.

We note that the table of cost drivers in Attachment B states that budget rates are used as the unit cost update basis for fixed energy costs. As discussed on page 32 of our base milk price reasons paper, the basis for fixed energy costs is actual rates.

Yours faithfully

Richard Whiteman
Group Director – Corporate Finance