



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

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## **New Zealand**

### **Dairy and Products**

## **Dairy Mega-Merger Approved 2001**

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**U.S. Embassy**

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**Report Highlights:** Nearly 14,000 New Zealand dairy farmers voted yesterday (6/18/01) at meetings throughout the country to merge the dairy cooperatives Kiwi and the New Zealand Dairy Group with the New Zealand Dairy Board to form the world's ninth biggest dairy company, temporarily known as Globalco. The company will own more the 95 percent of the NZ \$10 billion (US \$4.1 billion) export industry. The merger will be exempt from Commerce Commission scrutiny.

A bumper New Zealand season has ended with a record breaking monthly shipping total. The May shipment brought the season total to just under 1.5 million tons, with a total board revenue up from N.Z. \$7.7 billion (US \$3.2 billion) in the 1999/2000 season to almost N.Z. \$10 billion (US \$4.1 billion).

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Wellington [NZ1], NZ

***Vote in favor of mega merger***

Nearly 14,000 New Zealand dairy farmers voted yesterday (6/18/01) at meetings throughout the country to merge the dairy cooperatives Kiwi and the New Zealand Dairy Group with the New Zealand Dairy Board to form the world's ninth biggest dairy company, temporarily known as Globalco. The company will own more the 95 percent of the NZ \$10 billion (US \$4.1 billion) export industry. Kiwi shareholders voted 83 percent in favour of the mega-merger and New Zealand dairy group shareholders 85 percent in favour. Farmers voted on a milksolids production basis, not a one farmer one vote basis.

Legislation to enable the regulated industry to restructure and avoid Commerce Commission scrutiny of the merger proposal is due to be introduced to parliament today (6/19/01). Expected to be law by October 1, it includes the New Zealand Government's conditions for allowing the bypass of the commission. The export industry will be deregulated and the Dairy Board's export monopoly eliminated one year after the company is formed but competition is expected to be slow arriving. Globalco will retain tariff rate quota rights in overseas markets for six years, with these rights phased out over the subsequent four years.

Merger advocates have identified gains of up to NZ\$320 million (US \$131 million) over three years and farmers are proposed a pay boost of NZ\$0.30 (US \$0.12) cents per kilogram of milksolids by the company's third year.

***Shipping record season finale for Dairy Board***

A bumper New Zealand season has ended, with a record breaking monthly shipping total announced by the Dairy Board. A total of 167,000 tons of product valued at just under N.Z. \$1 billion (US \$ 410 million) was exported during May. This is 10,000 tons more than the previous record set in October 1999. The record monthly shipment is attributed to strong demand for ingredients in Asia and the Americas, and continued growth of the consumer product business. The May shipment brought the season total to just under 1.5 million tons, with a total Board revenue up from N.Z. \$7.7 billion (US \$3.2 billion) in the 1999/2000 season to almost N.Z. \$10 billion (US \$4.1 billion).

Sales by the Board's ingredients strategic business unit NZMP (New Zealand Milk Products) were up N.Z. \$2 billion (US \$820 million) from the previous year to N.Z. \$6.4 billion (US \$2.6 billion), while New Zealand Milk, the consumer strategic business unit, increased sales by N.Z. \$500 million (US \$205 million).