No 85

House of Representatives

Supplementary Order Paper

Tuesday, 17 July 2012

Dairy Industry Restructuring Amendment Bill

Proposed amendment

Hon Damien O’Connor, in Committee, to move the following amendment:

Clause 8
In *clause 8*, after *new section 109J* (after line 20 on page 13), insert:

109JA New co-op’s obligation to limit interest of new co-op fund in co-operative shares

(1) New co-op must take all reasonable steps to ensure that the new co-op fund does not, at any time, have a relevant interest in more than 23% of the total number of co-operative shares which are on issue, excluding any co-operative shares which are on issue but have been surrendered to, or have been acquired by, new co-op and have not been cancelled.

(2) If there is a contravention of **subsection (1)**, new co-op must take all reasonable steps to ensure that, within 90 days of the new co-op fund’s relevant interest exceeding the 23% limit, the new co-op fund’s relevant interest is reduced to comply with the 23% limit.

(3) The new co-op fund and any other person must comply with any direction given by new co-op pursuant to **subsection (2)**.

(4) Nothing in this section limits or prevents the constitution of new co-op from providing for a 20% limit on the proportion of co-operative shares held in the new co-op fund.

Explanatory note

The Dairy Industry Restructuring Amendment Bill as currently drafted places no legislative limit on the proportion of the Fonterra Co-operative shares which can be sold by farmers into the new co-op fund. Labour believes that such a limit is required in order to ensure that the dividends and proceeds of Fonterra remain largely in the hands of farmer shareholders not external investors.

Without such a protection the current proposal for 10–15% of co-operative shares to be sold into the new co-op fund for external investors could easily become the ‘thin end of the wedge’ and the fund could expand, seeing farmers lose share dividends to foreign and domestic investors.

This Supplementary Order Paper provides that Fonterra must ensure the new co-op fund does not constitute more than 23% of the total number of co-operative shares. If the 23% limit is reached, Fonterra must cease the sale of shares into the new co-op fund and take action to reduce the proportion of shares in the new co-op fund to below the 23% limit within 90 days.

Wellington, New Zealand:
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