

Fonterra plans to expand successful organic business into South Island

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Dairy for life

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Fonterra's organic business has been going from strength to strength in recent years, with the Co-operative now inviting applications from farmers in the South Island.

The new South Island recruitment of farmers interested in converting as well as existing organic farms will initially focus on those located around Southland and up to the Canterbury region.

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Anne Douglas, Group Director for Fonterra Farm Source, says the expansion into the South Island is another positive news story for the Co-op.

"We already have a strong performing organic business but have more room for growth based on increasing demand from customers around the world," says Douglas.

“We plan to be able to process organic dairy products at our Stirling site from the 2028/29 season, with the recruitment process starting now to allow time for converting farmers to achieve organic certification.”

Before work commences at Stirling to enable the segregated processing of organic milk, the Co-op is looking to achieve minimum recruitment targets in the South Island that would ensure operational efficiencies.

“Expanding the programme seeks to offer South Island farmers another supply option and is also expected to benefit all Fonterra farmers based on the positive contribution our organic business makes to the wider Co-op’s earnings,” adds Douglas.

In recent years, the global organic dairy category has shown consistent retail sales value growth year-on-year.

Fonterra is well positioned to capitalise on the growing demand with the Co-op’s diverse product range, broad market access and strong customer partnerships.

Andrew Henderson, Fonterra’s General Manager Organics, says the Co-op offers support for its shareholding farmers throughout their transition to organic.

“Our support package includes conversion incentives, advice, networking opportunities and linking farmers up with peers who can mentor them through the process,” says Henderson.

“Organic farming might not be the right fit for all shareholders, but for those interested in converting it has the potential to unlock additional returns.

“For example, since the Organic Milk Price was first established in 2016/17, it has delivered an average premium of ~\$2 per kgMS above the Farmgate Milk Price. There’s also the potential for lower input costs that are typical in New Zealand’s grass-fed organic systems.”

Fonterra’s organic business has been running since 2002, with Hautapu, Morrinsville and Waitoa UHT producing the majority of the Co-op’s organic dairy products.