Fonterra, New Zealand’s largest company is a dairy co-operative owned by 10,500 farmers. New Zealand has a history of dairy co-operatives since the first in 1871. In 1930, there were 400 separate dairy co-operatives throughout the country. To become more efficient the co-operatives started joining forces over the years and established the New Zealand Dairy Board to focus on the international market.

In 2001, the New Zealand Dairy Board and two large co-ops merged to form Fonterra with the vision to be “the natural source of dairy nutrition for everybody, everywhere, every day.” Effectively Fonterra has a monopoly over New Zealand’s dairy industry. It accounts for approximately 30% of the world’s dairy exports.

Apart from ordinary dairy products, Fonterra also markets value-added milk products. Anmum is one of its “power brands” in a few key markets in Asia, Africa and the Middle East. Revenue grew 29% in 2010 in those markets. Fonterra also provides nutritional bases for infant formula and growing up milk powders to five major unnamed infant formula companies, according to its 2010 annual report.

In 2008, Fonterra was implicated in a food safety scandal in China through its 43% ownership of the Sanlu Group. The Chinese company was at the centre of the scandal surrounding melamine contamination of raw milk supply. The episode involved 22 other companies nationwide and affected 300,000 Chinese babies who suffered kidney problems as a result of drinking formula contaminated with melamine. Six died and the long-term effects of melamine exposure are not known.

Fonterra’s top managers had to fend off criticism about why it took nearly a month to report the matter after they became aware of the contamination. They paid a heavy price for their Sanlu venture, having to write off NZ$62 million in investment in 2009.

The Sanlu debacle, however, did not hold back the company. In 2010, Fonterra made a profit of NZ$685 million, up 12% on the previous year.

New Zealand earned more than $750 million from milk formula exports in 2009. Read how New Zealand’s biggest company creates a market for its formula products.

Fonterra, a party to unethical marketing

Although Fonterra sits on the board of Sanlu, it has not prevented Sanlu from advertising, in contravention of Chinese law and the International Code of Marketing of Breastmilk Substitutes.

“A kilo of infant formula is worth ten times the value of a kilo of milk powder, so it’s obvious which product New Zealand should be selling.”

Strategic marketing or unethical promotion?
A history of Anmum

Anmum entered the infant and young child feeding sector through its milk for pregnant women and mothers. Fonterra’s predecessor, the New Zealand Dairy Board launched Anmum 1 for pregnant women and Anmum 2 for lactating mums in the 1990s.

When these products (now rebranded as Anmum Materna and Anmum Lacta respectively) hit the market and were promoted in a big way, the need for such products, which are much more expensive than nutrient-rich local foods, was questioned by nutritionists and health workers.

Women are perfectly capable of selecting a well balanced healthy diet during pregnancy and lactation at a fraction of the cost of glamorous milks like Anmum. However, the promotion of such expensive designer products may lead women to believe erroneously that they are necessary for a safe pregnancy and successful breastfeeding. Furthermore, Anmum had portrayed itself as supporter of the breastfeeding movement and was at the forefront of ‘helping’ health facilities to celebrate breastfeeding events.

Broken trust
When some questioned whether Anmum promotion should be allowed in healthcare facilities, it was argued that these products did not come under the scope of the Code. Unlike other brands of milks for mothers which are linked to formula products through similar names and logo, the Anmum brand was not tied to a formula product at this stage. In this respect, Anmum had the upper hand. While other competitors were blocked from entering health facilities, Anmum was allowed to do so.

It was seen as the “squeaky clean” player from New Zealand which did not promote milk for babies.
From mothers to babies

**Anmum** became accepted in health care facilities in South East Asia to the degree that in some communities pregnant women and breastfeeding mothers are told by health workers to take Anmum milks because:

“a well balanced diet does not always guarantee an adequate intake of all nutrients”

“your baby’s healthy brain development is in your hands”

[the product is] “good brain food for the child in your tummy” or “the first gift from mum to baby”.

**Anmum** developed goodwill among health workers and health facilities and it was not long before **Anmum Infacare** infant formulas and follow on formulas were launched into the market. By the early 2000s, **Anmum Infacare** formula for babies had become prominent in the market place, following the ‘good’ reputation already gained.

Look What they’re Doing Now

So how does Fonterra market **Anmum** formula products? Due to its foothold in health facilities through its promotion of milks for pregnant women and breastfeeding mothers, the **Anmum** brand enjoys prestige and favour with many health facilities.

For example, private hospitals in Malaysia allow **Anmum** access to provide routine supplies of formula milks in standard retail size packs and ready-to-feed liquid formulas for distribution to mothers in maternity wards.

Gifts bearing the **Anmum** logo and sporting the **Anmum** colours such as rucksacks, tote bags, samples of milks for mothers, free regular size formula packs and ready-to-feed bottles are commonly distributed to mothers by hospital staff, thus conferring much valued medical endorsement of the brand.

**Anmum** also seeks direct contact with mothers through its online club and through member-get-member schemes.

All the practices described above are forbidden under the Malaysian Code.

Anmum by Fonterra – well, it’s squeaky clean no more.
When ‘Essential’ is unnecessary

At the other end of the spectrum of products, Fonterra has the **Anmum Essential** growing-up milks (GUMs) for children: **Anmum Essential 3** for children 1 year+ and **Anmum Essential 4** for children 3 years+.

**Anmum Essential** uses a two-pronged approach in its marketing. The first is through claims about “advanced nutrients like DHA and gangliosides” which lack credible and reliable scientific evidence. Yet, spreading across promotion for **Anmum Essential** is the image of a child’s brain cells forming new connections due to the added ‘nutrients’. The second approach is to ride piggy back on the public health message to reduce sugar intake.

The prevailing opinion among health experts is that GUMs are unnecessary because after 1 year, a child who is not breastfed can be given ordinary milk in addition to solid foods. Unfortunately, GUMs promotion induces mothers to stop breastfeeding earlier than recommended and to replace breastmilk with an unnecessary product like **Anmum Essential**. They are duped by misleading claims. Equally worrisome is the way GUMs are packaged and promoted to resemble formula products of the same brand range.

GUMs are the fastest growing sector within the baby food business according to market forecasts. By its resolution 63.23 [2010] the World Health Assembly calls for an end to inappropriate promotion of foods for infants and young children and for a prohibition of nutritional and health claims. Fonterra is not following these recommendations and instead, has stepped up promotion of **Anmum Essential**.

As this report goes to print, Fonterra is running a massive ‘no-added-sugar’ advertising campaign in Malaysia, in all media, for its **Anmum Essential**. It is made to look like a public health message and comes complete with a supposedly independent website called ‘Sugar Check’. No brand name is mentioned upon enquiry but all the leads given by nutritional advisers contacted point to **Anmum Essential**.

Up-front promotion would have been preferable. At least consumers would be able to notice the promotional message in its proper context.

Fonterra’s track record in marketing Annum products has so far been unethical and irresponsible. Time for its co-operative owners to demand that Fonterra comply with international recommendations.