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Department of
AGRICULTURE
FISHERIES &
FORESTRY -
AUSTRALIA



The Dairy Industry

TOTAL PRODUCTION IS 9.4 BILLION LITRES
 AND GREW AT 4.5% LAST YEAR.

INDUSTRY PRODUCTION IS CENTRED IN VICTORIA
 WITH 62% OF PRODUCTION, BUT MOST VALUE
 ADDING EX VICTORIA.

IN TERMS OF VALUE ADDING THERE ARE TWO
 DISTINCT SECTORS:

COMMODITY AND COMSUMER PRODUCTS



The Commodity Sector

COMMODITY PLAYERS COMSUMED AROUND 60% OF
 PRODUCTION, BUT 30% OF THE \$ VALUE

- MURRAY GOULBURN
- BONLAC
- WARRNAMBOOL CHEESE & BUTTER
- TATURA



The Commodity Sector

MAIN PRODUCTS ARE

- MILK POWDER
- BUTTER
- BULK CHEESE

FOCUS IS ON SHIFTING LARGE VOLUMES OF MILK
PRODUCED SEASONALLY

RETURN ON FUNDS (NPAT / EQUITY): 4%
EBIT TO SALES: 4%



The Consumer Products Sector

NEXT ARE THE BUSINESS FOCUSED ON BRANDED
CONSUMER GOODS SUCH AS FRESH MILK, YOGURTS
ICE CREAM, BRANDED CHEESES

- DAIRY FARMERS \$1.4 BILLION
- NATIONAL FOODS \$1.1 BILLION
- PARMALAT AUSTRALIA \$667 MILLION
- NESTLE DAIRY PRODUCTS CIRCA
\$600 MILLION
- KRAFT, UNILEVER

RETURN ON FUNDS (NPAT/EQUITY): 9%
EBIT TO SALES: 6%



Dairy Farmers Group

- Australia's largest dairy company with the No. 1 brand "Dairy Farmers"
- Revenues of \$1.4 billion (98 / 99)
- Market leaders in milk, natural cheeses and yogurts
- Assets of \$610 billion
- EBIT \$52 million / PAT \$33 million

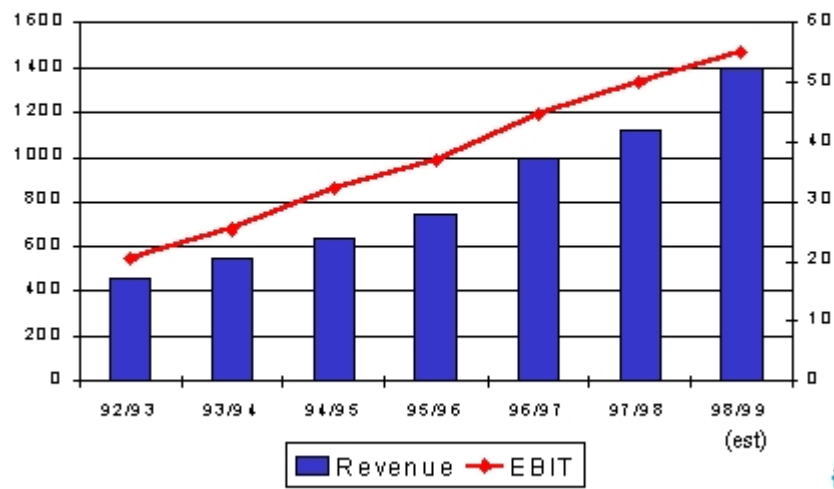


Dairy Farmers Group

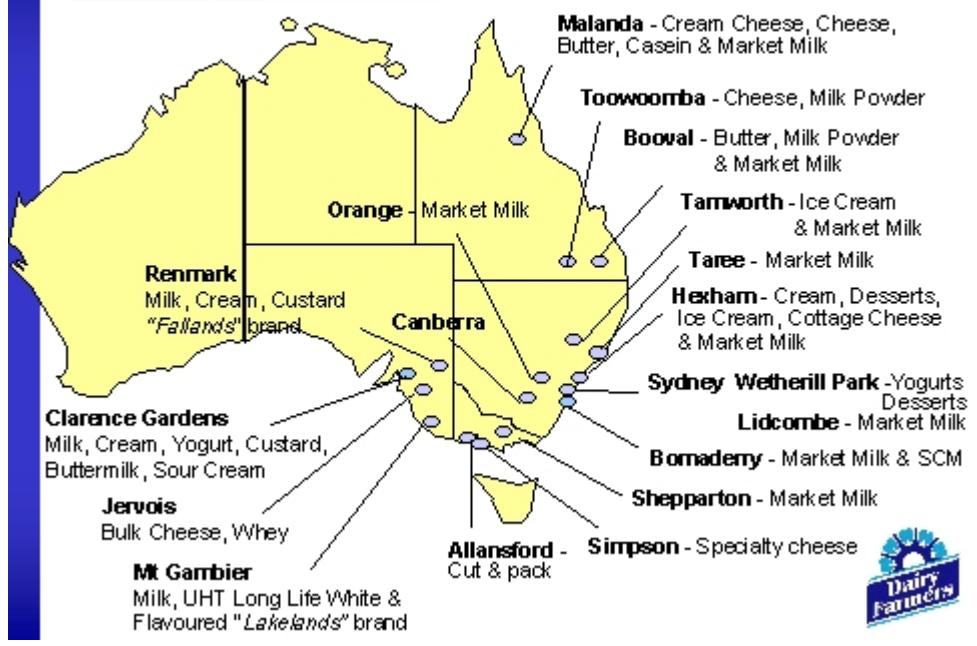
- NTA \$230 million
- \$110 million of exports
- Owned 100% by 5,200 Australian farmers
- Operate 16 factories in Australia
- 3,200 employees
- Process 1.5 billion litres of milk



History of Earnings



Dairy Farmers Group - Locations

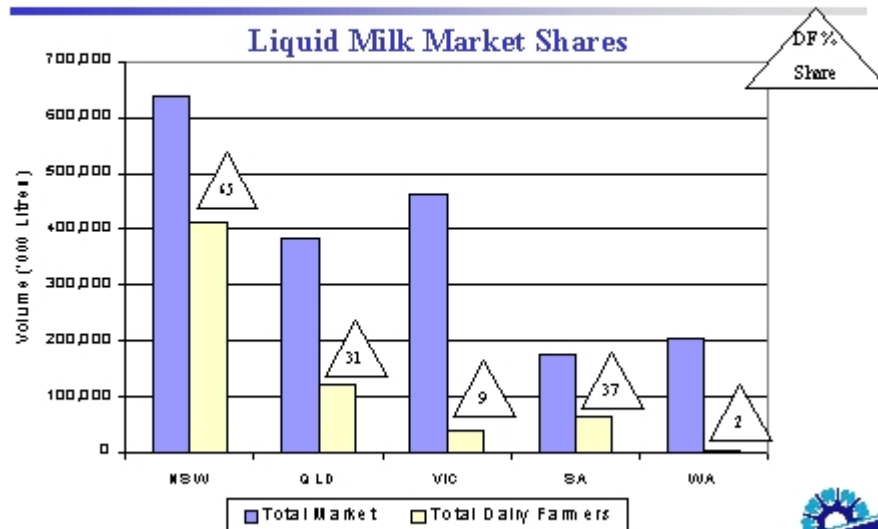


Revenue Mix 1998/99

	\$M	%
Market Milk	\$600	43
Cheese	\$310	22
Yogurt	\$180	13
Ice Cream	\$40	3
All Other	\$270	19
Total	\$1400	100



Dairy Farmers Market Share



Market Share Dairy Categories

	Dairy Farmers %	Major Competitor	% Share
Total Milk	33.5%	Pura	31%
Yogurt	42%	Yoplait	24.1%
Natural Cheese	19.2%	Bega	9.9%



Profit Drivers

- CONSUMER FRANCHISE / BRAND LOYALTY
- VOLUME FOR ECONOMIES OF SCALE
- PRODUCT MIX / CHANNEL MIX
- KEY CUSTOMER RELATIONSHIPS
- COMPETITION / PRICING
- CONTROL OVER LOGISTICS
- COMPETITELY PRICED YEAR ROUND MILK SUPPLY
- LOW COST BUSINESS SYSTEMS



Skill Set

- LOGISTICS / FEET TO LIP
- CONSUMER MARKETING
- TRADE MARKETING ECR / EDI
- PRODUCT DEVELOPMENT
- LEARNING



Developments

- DEREGULATION POST FARM GATE
- FARM GATE DEREGULATION
- NEW INTERNATIONAL INTEREST / MARKET GROWTH / LOW COST MILK / CLOSE TO ASIA
- CO-OPERATIVE STRUCTURE / EQUITY / DEBT



Equilibrium Model

