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- April 21 2008 - 09:36AM

Freedom's healthy agenda adding value to farm and food business



Ulf G. Gerdle

Already a big producer of plant-based beverages such as almond "milk", Freedom Foods Group pushes its growth agenda further next month when it launches long life dairy products to the domestic market under its Australia's Own label.

Consume, snacks and beverage maker Freedom Foods is proving to be a new era growth story for Australia's food sector – an industry where the past 20 years' headlines have often been about factory closures and foreign takeovers.

The 33-year-old UNFI product packer, turned health food brand leader has built a "disruptor" reputation in the grocery segment with a product mix spanning allergen-free snack bars and breakfast cereals; almond, rice and soy "milks", and lately, sports supplements.

Also, our biggest processor and exporter of ultra-high temperature (UHT) treated beverages, Friesland, hits domestic milk markets next month with its own A2 and reduced fat range under the Australia's Own label.

It also plans a move into yogurt.

Freedom's dairy connections extend to its cornerstone shareholder, Leppington Pastoral Company's Parick family, which has supplied milk to the processor for almost 20 years and owns about 54 per cent of the business.

Growing at pace

In the past decade Freedom has built cereal processing plants at Loxton and Dullington Point in South West NSW and bought

Freedom Funds is a

Cligroup Research

It has also recently built efficient new beverage factories in Sydney and Shepparton, Victoria.

Since 2013 Freedom Foods Group's share price has risen from below \$1 to this week breaking \$6.

investment bank, Citigroup, says the company's expanding focus on higher margin branded products and export growth is worth a target price closer to \$6.70/share.

As global consumer habits shift towards healthier eating, a Citi research study noted Freedom's attention to healthy food and beverages put it "in a prime position to disrupt larger fast moving consumer goods competitors which are arguably weighed down by less healthy legacy products"

"We expect Freedom to achieve shelf space gains from about 40 new branded products launched from May," the report said.

Much of its growth to date was built on contract packing UHT (long life) milk and plant-based beverages for other brands, including an extensive Chinese export program.

Foodium Foods is challenging Devondale's strength in the long life dairy products category in Australia.

Challenging tradition

Its new domestic-focused UHT product line looks to target the troubled Devonshire (Murray Goulburn) business, a leading Australian long life milk brand for decades.

Soon to be acquired by Canada's Saputo Inc. for \$1.2 billion, Murray Goulburn has a dedicated milk pool to stretch across a very product range from cheese to high value nutritional formulas.

UBT production is likely to be restricted until MG's milk receives improve-

"We've had a lot of demand come our way in the UHT market," conceded Freedom managing director Rory Macleod.

**Priorities have changed for many in the dairy sector*

"Ultimately we will see more competition from Decendole, but I don't see Supata breathing new life into the UHT market for a while."

Freedom Foods tips its total sales will hit at least 40pc this financial year to about \$700 million and potentially towards \$800m in 2016-17.

We've used private label work to build our business capacity

Ray Muckel, Freedom Foods

Its brands include Australia's Own, Sea-

Boostered by a \$200m shareholder capital raising finalized last week, the company wants to accelerate its production and

"We've used private label work to build our business capacity -- now we're building on that with our own branded lines," Mr. Madson said.

The UHT future

While LUT has not been

Friedman Foods managing director, Rory Michael.

"The main focus of the past six or so years, and in general I think we've seen a lot more of C&T as a mainstream product of the future," he said.

The Australian C&T brand is the backbone of Friedman's C&T product innovation and marketing push in Australia and overseas.

It already has a footprint in China, South East Asia, while Friedman's health-focused cereals and snacks are also broken on a commercial scale and have sold well in North America since 2015.

In a wider context with remnants of former big name brands and factories unable to compete in today's globalised economy, Friedman's business tactics have proven refreshingly successful.

There wasn't much pre-investment psychology in the Australian food industry.

Rory Michael, Friedman Foods

"Today's export market dynamics have certainly helped our case, but Australian food processors tended to suffer from insufficient investment for a long time," Mr Michael said.

"There wasn't much pre-investment psychology in the Australian food industry."

"The 1980s and '90s saw a lot of cost-cutting rationalisation as big groups merged in, requiring more scale and market share."

"But plans were still expensive to run... and supermarkets gave more demanding in-price and product innovation."

Part of Friedman's ready-to-eat breakfast cereal portfolio.

"Now, however, there's a whole new global market demanding Australian food – we don't need to sell to China and Western."

New market focus

"And why need agricultural commodities anymore when we can add value to Australia's unique grains and dairy supply base here, and reap the reward here."

Commons had changed, but hunger for the specialty attributes in Friedman's "New Food" brands.

"So many healthy eating preferences and population growth dynamics are at play – the opportunities are very exciting," he said.

"But to be part of that growing world market, you need to invest and develop an efficient operation here."

"We also need superior marketing techniques."

As a family, we've always believed in the food and dairy industry's strengths and our potential in what Friedman was doing.

Michael Perich, Longpoint pastoral Company

While Australia's food and agribusiness sector had entered more uncertain situations of late, Friedman was "extremely fortunate" to have had support from long-term key investors who were also farmers.

"This Perich family's interest has been pivotal in establishing our business and guiding us in our partnerships with farmer suppliers," he said.

Friedman Foods Group's four-year-old Shagstone dairy processing plant received milk from farms in surrounding in northern Victoria and southern NSW.

The worksite was both ways according to family member, dairy farmer and Friedman director, Michael Perich.

"Our connection began as milk suppliers, but as a family we've always believed in the food and dairy industry's strengths and our potential in what Friedman was doing," he said.

"As we got to understand the business we grew more involved in backing its progress."

"That includes offering a generous time on how farmers think and what they expect from a relationship with buyers."

Now majority shareholders, the Perich family supply a portion of the processor's milk made from their 1000-cow dairy systems also near Friedman's 57ha highland dairy and its Sydney headquarters at Seven Point.

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