

SE **Business**  
HD **Brownes cows find a home**  
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A breakthrough deal on the ownership of thousands of milking cows is expected to clear the way for the long-awaited sale of WA's biggest dairy operation.

Experts believe the sale could spark a major shake-up of the industry in WA, where milk production is falling despite increased local consumption and huge demand in Asia.

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Lactanz Dairies, near the Scott River in the South West, has been on and off the market since 2012 and in the hand of receivers Ferrier Hodgson for the past 12 months after it collapsed under New Zealand-based owner Rosmerta with debts of \$21 million.

Potential buyers, including overseas investors, were spooked by the fact leading milk processor Brownes owned the dairy cattle on three of the four farms that make up Lactanz and had the milk supply locked up.

Brownes will now sell its three herds back to the farms under an arrangement with Ferrier Hodgson which, combined with an additional purchase, will see Lactanz marketed as a complete asset with about 4000 milking cows.

The deal will spark renewed interest from overseas investors and others looking for big volumes of milk. Three nearby dairies, including one producing 13 million litres a year, have said they are for sale at the right price.

Brownes managing director Ben Purcell said the Lactanz farms were producing about 15 million litres a year but that could quickly grow to 25 million under a new owner.

"The right thing was for those cows to be with those farms and it always has been," Mr Purcell said. "We have spent two years fixing the dairy up, Brownes has been basically managing those farms in conjunction with the receiver. We have stabilised the situation so the right thing to do now is to market the assets."

Brownes will retain milk supply in the short term if the farms are sold.

Lactanz was on the market for \$27 million, excluding the Brownes' cows, just before its owners hit the financial wall owing Rabobank about \$19 million.

It is believed Brownes paid about \$1700-a-head for the milking cows in 2012 in a strategic move to shore up supply.

A Capel dairy that was in the hands of receivers Ernst and Young sold for about \$8 million recently.

Despite intense competition for supply among WA's three big processors — Brownes, Harvey Fresh and Lion — milk production in WA is falling. It was down from 362 million litres in 2010-11 to 336.7 million last financial year and is on target to fall to 329 million in 2013-14.

Industry analysts believe the next owners of Lactanz could have significant bargaining power with local processors, or target overseas markets.

Farm gate prices have improved slightly are are still blamed for the drop in production in WA. Lion, stung by losing the Woolworths **brand** contract to Brownes, has just increased its base average price by 2c to 45c/l for 2014-15.

There has been a run on WA **dairy** assets with Italian giant Parmalat paying \$120 **million** for Harvey Fresh and a **company** controlled by **China**'s Bright Foods buying Mundella and the Margaret River **Dairy Company**.

**CO** ferhod : Ferrier Hodgson & Company

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