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HD **Dairy's direct hit**
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EXCLUSIVE

VICTORIA is about to be hit by a radical new **dairy** export supply and production model.

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Major mining services provider MCG **Group** has joined forces with agricultural investment management **company** EAT **Group** to **buy** the Camperdown **Cheese** and **Butter** Factory and local farms to form the basis of a radical paddock-to-plate model.

In an Australian first, their joint venture, Camperdown **Dairy** International, will control the supply chain, from farm to distribution.

It will initially produce tinned infant formula for Asia and bulk whole-**milk** powder for the international market.

It will be Australia's first fully vertically integrated **dairy** export **business** and include an infant formula blending and filling site in Melbourne.

Initial plans include building a spray drier at Camperdown costing up to \$120 **million**, with processing scheduled to start towards the end of next year.

The plant would process 100 **million** litres of **milk** annually from its own farms, with plans for up to 300 **million** litres in the next three to four years through partnering with local farmers.

Camperdown **Dairy** International chief executive Phil McFarlane said the concept started with the customer in Asia and worked backwards to add value to the farmgate.

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"(The customers') willingness to basically put large orders on the table allowed us to then go and appropriately select the right assets to fill them.

"(In the past) agriculture in Australia tended to **group** up a bunch of farms and do the same thing, produce the same product, for the same market here in Australia, which is price-sensitive, the cost base is heavy and there's no real access to international market.

"That's made the performance of those packaged farms underwhelming. "They are stuck in the same market as everyone else, which, unfortunately, has put a bad result on investing in one part of the chain at farmgate.

"If you **group** the farmgate asset with the supply chain assets and open up international markets it's a much healthier return and especially with a focus on quality and volume into an emerging market such as Asia."

The **business** is also looking at developing an "end-to-end" agricultural model for other commodities, including red meat, but said demand for Australia's clean and green **dairy** was high in market research.

Traceability was a key requirement for exporting to Asian countries, particularly **China**, linking production with the end-product, according to Mr McFarlane.

He said controlling the whole supply chain from feed inputs to distribution would demonstrate product traceability.

Mr McFarlane said the Camperdown region's 100-year history as a "blue ribbon" **milk** supplier would provide credibility for customers.

Mr McFarlane said it was too early to confirm employment numbers, but said the plant could employ up to 100 people, with possibly 30 to 50 needed at the start.

Mr McFarlane couldn't provide details about the location or number of farms his venture had or aimed to **buy**.

He said they would also **buy** farms that supplied fodder and grain and integrate them into the supply chain.

Milk supply expansion would come from the **business** partnering with "specific" existing farms in a co-investment or ownership model.

"We are particularly offering farmers co-investment partners to expand and also look at their future needs, succession planning ... ensuring they have a sustainable future by taking the financial risk out of the farmgate," he said.

Camperdown **Dairy** International is a separate **business** to Aussie Farmers Direct's Camperdown **Dairy**, which operates out of the Camperdown **Cheese** and **Butter** Factory. Camperdown **Dairy** will remain a tenant under the new ownership.

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