SE Dairy

HD **MG bid to focus on Asia**

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MURRAY Goulburn's managing director Gary Helou says Asia and particularly China will remain the focus of the grower-owned co-operative for the next decade.

He said many Australian processors had failed to cash-in on the "raging growth" experienced in the region where demand continues to grow at between five per cent and 6pc per annum.

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In a Q&A session with Fresh Agenda director Steve Spencer at last week's DairySA Innovation Day 2014 in Mount Gambier, Mr Helou said that in the past 10 years, there had been too much concentration on the domestic market.

"Companies such as Fonterra, Arla Foods and FrieslandCampina, that backed Asia, have done very well," he said.

"Unfortunately, in Australia, we haven't and as a consequence we have declined while our competitors were pushing ahead."

MG was working to reverse the focus of its 3.2 billion-litre business from 75pc domestic and 25pc export focus to (closer to) 75pc export and 25pc domestic.

Mr Helou said that being located on Asia's doorstep was not enough. Companies needed to deploy more resources on the ground in Asia, understand the products Asian consumers wanted, and supply them.

Two years ago, Murray Goulburn was the first Australian company to stake a position in China. It now had offices in Dubai, Vietnam, Singapore and had taken over a business in China.

"We need to be knocking on the doors of the Coles and Woolworths of Indonesia and China," he said.

Any movement away from that (position) would mean that Australia remained hostage to Coles and Woolworths.

But Mr Helou said the duopoly was not the problem.

"You would do exactly what they are doing if you are in charge pushing for a lower cost of business to offer consumers the best possible value," he said. "It is our problem that we have not ventured to expand to where the market is much more higher value and promising."

MG's future strategy was investing in cutting-edge technology, innovation in new products and a reduction in its cost of production.

Mr Helou said the co-operative did not want to be a mass producer of commodities and had identified three key areas for value-adding milk into Asia: nutritional powders, consumer cheeses and dairy beverages.

He said nutritional powders, particularly infant formula, were not subject to the same volatility as the cyclic fresh and powdered **milk** markets.

"Full cream **milk** powder **sold** last night for $3700 a tonne let's call it $4000/t. Infant nutrition sells for $20,000/t and it is basically full cream **milk** powder, plus vitamins, nutrients and so on, done to a very high level safety standard and canned," Mr Helou said.

"The cost add from a manufacturing point of view is not that much it is the technology, the IP and trust issue with consumers (that is more important)."

MG was focused on producing **cheese** to Asian tastes milder flavoured, individually wrapped and sliced to their requirements.

MG had announced plans to commit $300 **million** to $500m recreating its manufacturing footprint at its Cobram and Koroit in Victoria and Edith Creek, Tas, factories.

"We need to build factories that have the Asian consumer as the primary customer versus building a factory for the Australian customer first and the Asian customer as the second or third option, only when we have surplus capacity. That is the wrong way to go," Mr Helou said.

"We want to produce everything in this country in finished goods form, stamped Australian, clean and green, and play on the providence of Australia and our food safety standards."

Mr Helou acknowledged it was a large capital investment, but it was low-risk value, adding in an area the co-operative knew well.

CO cobrco : Koninklijke FrieslandCampina N.V. | meji : Arla Foods amba

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