

SE **Business**
HD **New chief looks to grow Lion's share**

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Speciality **cheese** will be heading offshore as new Lion boss focuses on the **company's** strengths, writes Simone Smith GROW what you are good at is the motto of new Lion **dairy** and drinks managing director Peter West.

Mr West's plans for the liquid **milk** giant include slashing brands and moving into export.

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The areas of focus for the former Mars Chocolate regional president include **milk** beverages, Lion's branded **milk** and speciality **cheese**.

He also wants to offer security for its farmer suppliers.

Underpinning all of this is a growth agenda.

"We have to be clear which categories offer you the most opportunity for growth and making sure that you win in those categories, the best predictor of that is what's happened over the last three or four years the trends tend to be your friend," he said.

"There are some categories we have got, like yoghurt and specialist **cheese** and **milk** beverages, that are growing, and growing faster than the retailer's own growth, then there's areas of the **business** that don't represent the same sort of growth opportunity, such as white **milk**." Lion has lost the private label Coles **milk** contract for Victoria and NSW, as well as the Victorian Woolworths private label contract.

The pitch for private label **milk** was "not a win at all costs", according to Mr West who has been with Lion for four months.

Murray Goulburn is building two factories for the house-**brand** Coles contract, while Fonterra is refurbishing a factory to supply Woolworths.

"If you go to put in a new factory you take a certain assumption how efficient a new factory can be versus a stand-alone," Mr West said.

"You have to invest significant amounts, and we have been talking over \$100 **million** here, the types of investments our competitors have made, and we still have to validate that it can work for that.

"In my experience, having invested in new factories myself, what you think a factory can cost you and what it does, and the actual performance, they don't always (match).

"Their **business** model is unproven, I wish them luck to prove it over time, but it is still unproven." Mr West wants growth outside the 2-4 per cent domestic rise and will look to **China** and Indonesia to sell speciality cheeses.

He said a **brand** such as King Island would have a great marketing story and speciality **cheese** was something in which Lion had invested more than \$150 **million**.

Growing the \$1 **billion** a year revenue base, with 6 per cent growth a year, in Australia is the primary focus of Lion followed by export.

“Over time it won’t be enough just to ship powder because **China** consumers would want to have more confidence in the whole supply chain,” he said.

“What they will have confidence in will be products **sold** here on a day-to-day basis that are also exported, as opposed to powder, or that it might be from a **company** from Australia or New Zealand won’t be enough ... they will want confidence of those brands are also available in Australia.” From a farmer perspective, Mr West said Lion could offer fixed or variable pricing and give people “options on how they want to do things into the future”.

Providing security to “invest against” would also be important for farmers, according to Mr West.

“What the farmers hate and what Lion hate is the same thing, volatility,” he said.

“We do need stability overtime, therefore things like longer term contracts and how you use fixed pricing becomes a mechanism to do that.” He also said Lion would draw on its buying power as the largest packaged goods **company** in Australia to offer “unique benefits” to farmers on the cost side of their operations.

He wouldn’t be drawn on that plan or speculation about next season’s price. He did stress Japanese parent **company** Kirin and the Lion **board** were supportive, and understood the long-term gain and value of its **dairy business** despite margin pressures.

“Most industries consolidate overtime,” he said.

“Most of the people who talk consolidation here in Australia, it is in their self-interest to talk consolidation — either need to raise money or they have got something they want to sell while the multiples are high.” “The consolidation game is driven by self-interest.”

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