

THE STANDARD

SE NEWS
HD MURRAY Goulburn Co-operative processed more milk and
WC 466 words
PD 28 August 2014
SN The Warrnambool Standard
SC FWARST
PG 3
LA English
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MURRAY Goulburn Co-operative processed more milk and increased sales revenue last season but made less profit.

The co-operative yesterday released its 2013-14 full-year results showing record turn-over of \$2.9 billion, 22 per cent up on the previous year.

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Exports were the big contributor to the extra revenue, with 30 per cent growth year-on-year to \$1.5 billion.

Despite the increased sales, net profit after tax was \$29.3 million, down from \$34.9 million in the previous year.

Company equity was increased by \$59 million, helped by a \$36 million profit from the sale of Warrnambool Cheese and Butter (WCB) shares after losing a takeover battle to Saputo.

Managing director Gary Helou told The Standard a higher profit could have been shown if the company had retained less equity.

"We could have reflected that equity in the profit figure, but in an exceptional season when suppliers received a record milk price it was prudent to increase equity," Mr Helou said.

The company's milk intake increased 8 per cent to 3.4 billion litres, lifting its share of the national raw milk production from 33 to 37 per cent. Its supply increase easily outstripped the national production growth of 0.4 per cent.

Mr Helou said 2013-14 was an "outstanding season" for the co-operative.

"International dairy food prices were at very high levels, underpinned by the strong demand from Asia and the Middle East."

He declared the final farmgate milk price for the 2013/14 season at a record \$6.81 per kilogram milk solids (kgms). With the addition of dividend payments, suppliers received a total of \$6.90/kgms.

Mr Helou said farmers cannot expect such a strong result this season. He downgraded the full-year price forecast for this season to \$6/kgms from the previous estimate of \$6.15 to \$6.30.

"In this market it is unlikely that MG can provide for any step-ups in 2014-15 pricing unless there is a significant improvement in markets."

He said the forecast downgrade was based on declining dairy commodity prices, driven by production growth in New Zealand and the European Union and large inventories in China. He said the emerging effect of the Russian sanctions was also expected to affect revenue this season.

"Over the next few weeks we will continue to assess the impact of the Russian trade ban and further assess **China**'s re-entry in the market," Mr Helou said.

Rival processors WCB and Bega **Cheese** both declared increased profits in their full-year results announced last week, WCB making \$21.3 **million** and Bega \$30 **million**.

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AN Document FWARST0020140827ea8s0000k