



HD Troubled United **Dairy** Farmers considers a number of takeover offers

BY Sarina Locke

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Dairy companies are circling Australia's largest private **dairy** processor/broker after its parent went into receivership.

United **Dairy** Power was last **sold** to **Hong Kong business** Five Star Foods, owned by William Hui, in February for \$70 **million**.

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But in November, financial partner Rabobank called in receivers of Five Star Foods and appointed new management of UDP.

UDP is a broker and processor of **milk** in Victoria and South Australia, which has delivered premiums to farmers supplying **milk**.

Managing director of UDP, Marcus Derwin, is meeting **dairy** farmers this week.

Insiders say UDP has received significant offers that it's obliged to consider, given the stakeholders - suppliers, customers and staff - need the **company** to continue.

Analysts say the Australian processors, who are paying \$5.60 to \$6 per kg of **milk** solids, are struggling with that price, given the fall in commodity prices globally.

But a shortage of **milk** is holding that price up.

President of South Australian **Dairy** Farmers, David Basham, says UDP has to pay these prices for at least six months, for the 200 **million** litres of **milk**.

"My thoughts are a **business** will probably **buy** the **milk** supply as well, and it could be absorbed into the existing supply base, like Murray Goulburn, they could become MG suppliers.

"So it's **business** as usual to a certain degree."

He says it's quite possible the premium will continue for **dairy** farmers who supply **milk** to UDP.

"Maybe some of the smaller companies might choose try to entice those current UDP suppliers to supply them directly."

History of UDP

United **Dairy** Power was set up around 15 years ago by Tony Esposito to fill a gap in supplying **milk** as top up to processors or to **cheese** makers in Victoria.

Mr Basham says UDP secured premiums from the big processors as a sweetener to get farmers on **board**.

"He bought **milk** from farmers and traded it on between the different processors, which at that point in time was Lion, or National Foods, Murray Goulburn and Warrnambool **Cheese** and **Butter**."

UDP also began to supply gourmet **cheese** producers around Melbourne to help them 'cut the middle man out'.

UDP also bought the two older **milk** processing plants in South Australia in 2011 from National Foods/Lion, at Jervois and Murray Bridge.

CO adryfl : Australian Dairy Farmers Limited | krnbrw : Kirin Holdings Co, Ltd | nfdaus : Lion Pty Ltd.

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