



## CELEBRATING 1999, OUR CENTENARY YEAR

### THE MARKET

Cheese lovers in Australia now have a diverse range of varieties, types, flavours and textures to choose from. Bega primarily competes in the high volume natural and processed cheese markets.

The natural cheese market is worth approximately \$373 million and the next biggest is processed cheese with approximately \$225 million. Both segments are growing in value at approximately 5% per annum. Both markets are highly price competitive with four major players vying for increased share. House brands figure largely in the cheese category with about 31% of the market and growing.

A growing sector of the cheese market is the fat reduced category, currently holding 24% of the total natural and processed business. Fat reduced is available in both natural and processed cheeses and represents a value of \$142 million. All major players are represented in this segment.

Cheese is a staple part of the Australian diet and one of the most important sources of calcium. The Australian dairy industry has been promoting the consumption of cheese as a means of dealing with the debilitating disease osteoporosis.

### ACHIEVEMENTS

Bega is the Number 1 selling Australian brand in both full fat natural and reduced fat cheeses. Current Bega Cheese sales are approximately \$100 million with revenue still growing at a rate

far greater than the total market.

This impressive result has been achieved in the face of aggressive discounting by competitors, particularly in the full fat category. This fact alone is indicative of the loyalty and trust consumers have for the Bega brand name and the quality of the products which Bega sells.

Bega's popularity is largely due to a universally admired consistency in flavour and texture. Bega products have won numerous gold medals and blue ribbons at recent

Royal Agricultural Shows and in many Dairy Industry Assessments.

Market research shows Bega Cheese is considered the best in terms of quality and taste and has the strongest association with heritage and country origin.

In a recent grocery industry survey, Bega achieved the respected position of Number 23 best selling grocery brand in Australia. Bega is

the only single non umbrella brand in the top 23 that is 100% Australian owned and produced.

### HISTORY

Cheddar cheeses were made in Bega as far back as the mid 19th century, but the Bega Cooperative Creamery Company was not officially formed until 15 July 1899 by the farmers of the Bega Valley. This event marked the introduction of the Bega brand.

In 1944, the Cooperative changed its name to become the Bega Cooperative Society Limited. In 1969, a new, modern cheese factory was commissioned. This meant that Bega was able to expand further into the cheese market, and during 1971 the Society introduced the

Kameruka Cheddar brand to its existing product range. Kameruka is still a popular and trusted brand in the southern regions of New South Wales.

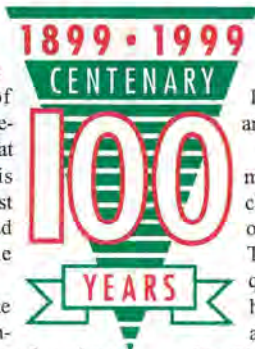
In 1976, Bega gained a share of the NSW and ACT fresh milk market.

Over recent years, there have been many new extensions to the cheddar cheese range, spearheaded by the launch of the Specialty Cheese Making Division. The Specialty Division produces high quality hand waxed rounds, including the highly acclaimed 19th Century Cheddar and Ryefield Semi Soft Cheese varieties.

In 1992, further advances in cheese making technology allowed the Society to produce more than 12 million kilograms per annum of consistently high quality Bega cheese to meet the ever growing demand from Bega customers.

In 1995, the Bega Co-op spent many millions of dollars to construct a new, state-of-the-art Whey Powder Plant. Whey, previously sprayed onto farms as fertiliser, is now converted into a high value-added product which is used in the manufacture of ice cream and in the bakery and confectionery industries. At the same time, Bega constructed a new maturation storage area, in which up to 3500 pallets of cheese can be matured at precise temperatures to the required ageing levels.

In 1995, the Co-op built the Bega Heritage Centre, a faithful reconstruction of one of the first buildings on the Co-op site. Here, visitors can see how cheese and butter were made in the old days. They can also taste the many varieties of Bega dairy



products on sale.

In 1998 Bega Cheese commissioned a new "State of the Art" 25 million dollar cutting, packaging and processing plant which is situated in Bega on the far south coast of NSW within close proximity to the existing cheese factory. Efficiency gains at the new plants and increased capacity will allow Bega Cheese to cope with the considerable growth expected not only in Australia, but also in the export market.

**THE PRODUCT**

Bega cheese is the Number 1 selling brand of natural cheese in Australia and by far the Number 1 selling brand of cheese in NSW, where the brand holds nearly twice the volume of the next best competitor. More importantly, Bega is still 100% Australian owned and produced, a fact of which the Bega Cooperative is extremely proud.

On average, approximately 50 million items carrying the Bega brand name are sold annually in Australia. Bega products are now exported to many countries around the world including all popular South East Asian markets, the Middle East and Central and South American destinations.

In addition to export achievements and due to the new state of the art, cutting and packaging facility, Bega Cheese now packs natural cheese and processed cheese products for many local and international marketers.

Bega's flagship is natural cheddar cheese. The most popular variety is Tasty, but it is available in Mild, Extra Tasty and Strong 'n Bitey Vintage as well.

Bega's fat reduced products are all best sellers; Bega Super Slim for serious cholesterol and weight watchers is 90% fat free and So Light allows cheese lovers to reduce fat intake by 25% without sacrificing taste.

Bega is also famous for tasty Super Slices - the cheese slice for the more mature palate. The full range of Bega Cheeses is extensive, and just a few of the more famous labels are mentioned above.

**RECENT DEVELOPMENTS**

Over the last few years, Bega has launched Super Slim 90% fat free processed cheddar slices and So Light natural cheddar cheeses. Both of these products have rapidly grown to Number 1 national market leadership in each of their segments and sales continue to grow out of proportion with



other branded products in the reduced fat markets.

In 1998 and to meet a commitment to innovative new product launches, Bega Cheese introduced the dynamic new product Bega Stringers. Bega Stringers are a part skim milk natural cheese novelty snack that allows children to peel off strings of cheese, like peeling strips off licorice straps, making them fun to eat. In just 6 months Bega Stringers proved to be so successful that plant capacity will need to be increased.

The success of Bega Stringers has established a new cheese category in Australia whilst, at the same time, taken the Bega brand into the realm of the dynamic kids' cheese & snack food markets.

**PROMOTION**

The magnificent, lush, clean and green, historic Bega Valley is the fundamental theme for all advertising activity for Bega Natural Cheese. The image of this area carries associations with heritage, quality, country values and consistency. Promotion for Bega Natural Cheese features the line 'Bega tastes better by a country mile'. Of all cheese advertisers, Bega achieves the highest and most accurate brand recall, primarily because the focus is on its valuable origins.

Advertising for each of the Bega Cheese reduced fat products, So-Light Natural and Super Slim Slices, projects a modern theme and appeals to people with contemporary lifestyles.

Bega invests heavily, mainly on television, to promote the brand. This strong support, combined with the consistent high quality of

product and the regular introduction of innovative new products, accounts for the huge success of the Bega brand.

**BRAND VALUES**

Bega's brand associations are closely aligned with the valley, the heritage of excellent cheese making and the best quality milk and cheese in the country. These associations are a natural platform for the advertising and strengthen the core values of the brand. This has built the brand to a position of pre-eminence.

Testimony to the brand's quality image is the perception by the consumer that Bega is good value for money. While they are paying a premium price, the quality makes it worthwhile.

These values, and the added production capacity, have motivated Bega to market the brand in other countries. The vision of the Board and management is to see the Bega brand dominating export branded cheese markets just as it does the national Australian market.

Bega farmers enjoy a sense of pride that can only be won through hard work, success and a commitment to producing the highest quality milk and dairy products.

**THINGS YOU DIDN'T KNOW ABOUT BEGA**

- Bega farmers were manufacturing Cheddar cheese in the valley as far back as 1860.
- Bega is currently the only 100% Australian owned and produced single non umbrella proprietary brand in the 23 top selling grocery brands in Australia.
- In 1995, the Bega Co-op reconstructed a new Heritage Centre which is a perfect copy of the original Co-op factory from 1899.
- Hundreds of thousands of cheese lovers visit the Co-op every year, making Bega one of the most popular tourist spots on the south coast of NSW.
- More than 50 million units of Bega products are sold each year in Australia.
- Of all dairy foods, cheese is the most concentrated source of calcium.
- A world famous mountain climber took his supply of Bega Tasty Cheese to the summit of Mount Everest in the late 1980s.
- Every tonne of Bega Stringers is equivalent to 47,000 sticks eaten as snacks. Five hundred tonnes sold in a year represent 23,500,000 sticks consumed.
- It takes approximately ten litres of rich Bega milk to make one kilogram of Bega Cheddar Cheese.

