



THE MARKET

Australians are high consumers of milk and dairy products in comparison to other nationalities, in part because of the superior quality and innovative range of milk and dairy products we enjoy. At the head of the dairy industry stands Dairy Farmers, who, after a century of attention to quality and innovation, now proudly claim the mantle of Australia's Dairy Best.

The potential for even further growth of per capita consumption of dairy products is closely linked to Australian consumers' desire for products that suit their increasing focus on a healthy lifestyle and a balanced diet. Category growth will be seen in all segments and will be reflected in a broadening range of specialty milks, yoghurts, cheeses, creams, ice creams, custards and other products.

ACHIEVEMENTS

Dairy Farmers is the country's most innovative dairy organisation with an unmatched record of achievement. Dairy Farmers was the first in Australia to produce a UHT long life milk, the first to develop a modified milk (low fat), the first in the world to produce a no cholesterol milk (Farmers Best), the first to produce a fruited yogurt (Ski) and the first to develop a split pack yogurt (Ski Double Up).

Sweetened yogurt is the market leader of Australian yogurt consumption. It was Dairy Farmers' innovative Ski Double Up, a dual compartment pack of fruit and acidophilus yogurt that attracted new consumers to the mainstream yogurt segment. These consumers are now regular buyers of sweetened yogurt and predominantly loyal to the Ski brand.

Dairy Farmers' Mil LeI Superior brand of grana cheeses such as Parmesan, Pepato and Romano has been winning gold medals almost at will at Royal Melbourne and Sydney dairy shows as well as gold, silver and bronze medals at the World Cheese Championships in the USA.

Australia's first fridge-friendly three litre milk bottle was introduced to the market by Dairy Farmers in August 1998, changing the shape of "the milk bottle" for the new millennium. Dairy



Farmers revolutionary three litre milk's convenient, larger size meets the needs of today's consumers. Its innovative rectangular shape allows it to easily fit in the fridge door, and despite the extra volume, an off centre neck makes it easy to handle, and easy to pour - even for children.

Dairy Farmers is the only business in any grocery category in Australia to have won food industry magazine, Foodweek's "Most Successful New Product" award three times in three

consecutive years, with Farmers Best cholesterol free milk, Ski Double Up and Cadbury Mousse Dessert.

HISTORY

In 1900, Australia's population was a mere 3,765,300, Clean Sweep won the Melbourne Cup, it was a year before Federation and the Australian Flag and Dairy Farmers was formed by a cooperative of 70 dairy farmers.

Without ice, milk could not be transported over long distances. The new Dairy Farmers Coop members spent all their capital on a five-tonne refrigerator, milk tanks, horses and carts. Within a decade the Dairy Farmers Cooperative Milk Company was in profit and in 1912 it paid its first dividend.

Today, on the eve of its centenary, Dairy Farmers and its 5,500 farmer shareholders still ensure that Australian families enjoy the best, freshest milk and dairy products that provide the essential nutritional building blocks for Australia's growing population.

Dairy Farmers is the nation's number one retail dairy producer.

It has the broadest retail range of any dairy company in the country, and is Australia's largest manufacturer of value added dairy products. Producing 586 million litres of fresh milk annually to supply 32% of Australia's total milk demand, Dairy Farmers employs 3,000 people in city centres, regional capitals and rural Australia.

THE PRODUCT

Dairy Farmers is the industry leader in the innovative development of value added dairy foods

under the Dairy Farmers umbrella brand.

Dairy Farmers Full Cream Milk leads the Dairy Farmers range of family milks,



while Dairy Farmers specialty milks include Dairy Farmers Skim Milk, Dairy Farmers Lite White, Dairy Farmers Shape, Dairy Farmers Life, Dairy Farmers Farmers Best, Lactose Reduced and Dairy Farmers Buttermilk. Each offers a unique and different nutritional benefit in addition to its 'great taste' and 'low fat'.

Leading flavoured milks brands such as Oak, Dare, Chill, Cruise, Moove and Jacaranda are all produced by Dairy Farmers.

Yogurts produced by Dairy Farmers include Dairy Farmers Traditional and European style formulations, Ski, Bornhoffen, Caboolture, Eve and Danone brands.

Oak and Dairy Farmers custards and cottage



cheeses are premium brands in the market place. Its dairy desserts include a range of Dairy Farmers icecreams and its market success in dairy desserts is epitomised by the top selling Cadbury Mousse, which it produces under license.

RECENT DEVELOPMENTS

Integral to Dairy Farmers cold handling integrity and its close relationship with its customers, is its unique franchise vendor system of dedicated local "milkos". Dairy Farmers has a team of some 1000 vendors who deliver the comprehensive Dairy Farmers range direct to stores and households. Each Dairy Farmers vendor is a franchised owner of his own allocated territory.

In an historical Australian business move, Dairy Farmers acquired the natural cheese business from Kraft in December 1997. The acquisition of familiar household brands such as Coon, Cracker Barrel® and Mil Lel was a significant reversal of the trend to offshore ownership of the Australian food industry. It was an outstanding example of 'buying back the farm'.

Group Danone, France's leading food and beverage company, entered into an alliance with the Dairy Farmers Group to produce Danone yogurts and dairy desserts from January 1999. The inclusion of the Danone range in the Dairy Farmers portfolio unequivocally makes it the largest yogurt producer in the country. The alliance will include developments in Asia where Danone is strongly established and Dairy Farmers has growing export markets.

A range of Dairy Farmers UHT white milks has been launched onto the national market. The six reformulated milks, produced in new one litre HDPE plastic bottles, reposition milk - taking it out of the perishable dairy case and into the

mainstream aisles of supermarkets, offering convenience and longevity.

The growth of Dairy Farmers exports has been phenomenal in recent years. From less than a million dollars in export sales in 1993, Dairy Farmers exports now exceed 114 million dollars per annum. Today Dairy Farmers exports a range of quality products to 45 countries including Singapore, Hong Kong, Korea, Japan and the Middle East.

The Dairy Farmers range of products is exported by air or sea freight. In fact, the Dairy Farmers brand is clearly recognised as one of the largest freight export brands in Australia. Dairy Farmers popular Ski brand of yogurts is the market leader in both Singapore and Australia. Singapore receives its Dairy Farmers products by air freight. Fresh powdered, condensed and UHT milk together with ice cream, cream cheese, cheddar and casein are the mainstays of the Dairy Farmers export range.



PROMOTION

The Dairy Farmers brands, products and sub-brands are supported with integrated strategies involving advertising, public relations, pack-side promotions, cause related marketing and sponsorships.

In addition to the foot-tapping "Australia's Dairy Best" umbrella campaign, Dairy Farmers specialty milks, Dairy Farmers Farmers Best, Lite White, Shape and Life and flavoured milks have employed consistent brand-building advertising campaigns. The new campaigns have been developed to drive volume and grow the category, while differentiating each milk's attributes and benefits.

From Fiona Coote, Australia's favourite heart-lung transplant lady, telling us to drink Farmers Best "to your heart's content" to one of Australia's top chefs, Guillaume Brahimi, extolling the full flavour and lesser calories of Lite White, the Dairy Farmers advertising message is strong and memorable.

Dairy Farmers is a strong supporter of sporting initiatives, especially for young people. It sponsors the NSW School Sport 2000 Program, Netball in New South Wales, the Victorian and Queensland State Netball Leagues and Queensland Surf Lifesaving and is an ongoing sponsor of the Australian Sports Commission (ASC) and the Australian Institute of Sport (AIS).

In July 1997, in conjunction with the AIS, Dairy Farmers launched the annual Dairy Farmers Sporting Chance awards, which provide \$5,000 each for ten promising top Australian athletes as well as twenty development grants.

Dairy Farmers, as a major sponsor of the

NSW School Sport 2000 Program, supplies school milk in New South Wales. 'Cool for School' is a Government supported program that sells Dairy Farmers Moove flavoured milk into NSW state primary and high schools. It is available in two sizes, a 250ml carton for Primary School and 300ml bottle for High School and is supported by a 'Cool for School' Moove Web Site at www.moove.com.au.

School children can log onto the Moove Web Site, register as a member and receive their own Moove Crew ID card and Moove it Groove it tattoos and stickers. They can win free Moove milk and promotional packs and play interactive computer games designed specifically for the site. Similarly, Coon Shred Heads have their own interactive website.



BRAND VALUES

Dairy Farmers is an Australian icon with inherent brand qualities and firm and emotive consumer perceptions attached to its image. Its other brands and sub-brands are all strong in their own right. They are trusted brands with which generations of Australians have grown up. Dairy Farmers has been responsible for providing essential nutrition to Australians from their formative years throughout their lives.

Today it is almost impossible to find food products to put on the family table that are made by an Australian owned business. It is reassuring to know that a century-old Australian dairy group like Dairy Farmers is still wholly Australian owned.

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THINGS YOU DIDN'T KNOW ABOUT DAIRY FARMERS

- Dairy Farmers milk in a bottle replaced the doorstep milk jug from 1925 and Australia's first three litre milk bottle was developed by Dairy Farmers in August 1998.
- Dairy Farmers free school milk was introduced in 1941 - and only abolished by the Federal Government in 1974. A new subsidised schools milk program in NSW was spearheaded by Dairy Farmers and became statewide in 1998.
- Dairy Farmers produced Australia's first long life milk in 1977. Dairy Farmers launched Australia's first one litre bottles of full cream and specialty long life white milks in March 1999.
- Farmers Best 'no cholesterol' milk was a world first for Dairy Farmers.