



THE MARKET

There are scores of aggressively marketed beverages available to Australians today. But the best seller, surprisingly enough, is - milk.

Milk is, of course, a popular drink in its natural, modified and flavoured forms, but fresh milk is also the staple ingredient for a range of other popular dairy products. The market for yogurt, cheese, fromage frais, custard, cottage cheese, buttermilk and other such value added dairy products is growing steadily every year. Part of the reason for this is the increasingly multicultural make-up of Australian society, which has resulted in wider acceptance of new and different food and beverage styles as eating and drinking habits change.

Dairy Farmers is the national leader in the milk market with approximately 32% of the national market, and also leads in the yogurt market with a 26% share nationally.

ACHIEVEMENTS

Dairy Farmers is the industry leader in the innovative development of value added dairy foods under the Dairy Farmers brand and its various sub-brands.

Dairy Farmers was responsible, for example, for producing Australia's first fruited yogurt (Ski). It also produced Australia's first longlife milk (Dairy Farmers), as well as the country's first modified milk (Hi-Lo) and the world's first 'no cholesterol' milk (Dairy Farmers Farmers Best). And it was Dairy Farmers again that introduced the first split pack yogurt (Ski Double Up). Many of these have been copied subsequently by competitors as 'me too' products designed to capture a slice of the marketshare of the Dairy Farmers originals.

Dairy Farmers is the only company in any grocery category in Australia to have won Most Successful New Product awards three times over three consecutive years. This coveted award is made by the respected journal 'Foodweek' and the winner is chosen after a survey of the views of senior buyers from Australia's major chains and independent wholesalers including Woolworths, Coles, Jewel, Franklins and Foodland. The Most Successful New Product awards were presented to Dairy Farmers Farmers Best, Cadbury Dairy Mousse and Ski Double Up.

Whether answering the call for a 'no cholesterol' milk with the international groundbreaking Farmers Best, or reinventing yogurt as a convenient, healthy and tasty dessert, Dairy Farmers has always been a quiet but consistent achiever.

At a time when the Australian yogurt market was fairly static, Dairy



Farmers introduced Ski Double Up to the nation. Ski Double Up hit the market boasting a smooth, mild yogurt style using the very best acidophilus yogurt culture in conjunction with the highest quality vanilla. Presented in a unique double compartment pack and with real fruit flavour, Dairy Farmers' Ski Double Up became a run-away success when it was launched in October 1993.

Ski Double Up boosted the overall Australian yogurt market and won awards virtually at will. Within its first six months of release it was recognised by the grocery wholesale and retail industries as well as the dairy industry with new awards for Best New Product Award and for Innovation from Foodweek magazine, and from the Dairy Industry Association of Australia. Consumers loved it.

And they loved Cadbury Dairy Mousse, another Dairy Farmers product with a confectionery brand name. This was an unprecedented dairy dessert success which Dairy Farmers produced in a joint venture with Cadbury Schweppes. With Dairy Farmers the leader in research and development of quality dairy products (and having one of the

country's largest and best cold handling systems) the Cadbury Mousse joint venture was a potent market combination. Cadbury Mousse won a string of retail and dairy industry awards from day one and singlehandedly expanded the whole dairy dessert market.

HISTORY

Dairy Farmers, one of Australia's oldest food and beverage icons, was born a year before Australia became a Federation.

On a hot January day in 1900, seventy New South Wales dairy farmers resolved to 'form a milk company upon pure cooperative lines' which would eliminate the middle-man's costs to consumers and give the dairy farmers more say in the handling of their output. At the end of the day the Dairy Farmers Cooperative

Milk Company was formed. It was destined to become the largest cooperative of its kind in the Southern Hemisphere.

Without ice, milk could not be transported over long distances. Enthusiastically 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 paid its first dividend. At the time, the newly formed Coop handled less than one million litres of milk a year and employed 100 workers, a far cry from today's operation.

In 1989 Dairy Farmers merged with two other long established New South Wales dairy cooperatives, Hunter Valley and Shoalhaven, and the new entity was called Australian Cooperative Foods. This group was then joined by two Queensland dairy cooperative companies, Queensco-Unity Dairy Foods Cooperative Association Ltd (QUD) and Atherton Tableland Cooperative Dairy Association Limited (Malanda).

In 1996 this super-cooperative readopted the name Dairy Farmers, the name of its leading brand and of its founding cooperative, to cover all of its operations.

Today, 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 1039 million litres of raw milk annually to supply 40% of Australia's total milk supply, Dairy Farmers employs over 2700 people in city centres, regional capitals and rural Australia.

The cooperative produces a range of quality dairy products under the main brand name of Dairy Farmers as well as other brand names including





Ski, OAK, Farmers Best, Cruise, Jacaranda, Malanda, Bornhoffen, Unity, Nowra, Robertson, Valley Maid, Cadbury Mousse, Weight Watchers and Balance.

With a long history of achievement behind it, Dairy Farmers is unequivocally the most innovative dairy company in Australia.

THE PRODUCT

Dairy Farmers Full Cream Milk is the purest, freshest homogenised and pasteurised milk that money can buy. It is the flagship product for the Dairy Farmers brand and accounts for 60% of Dairy Farmers total milk volume (including modified and flavoured milks). Dairy Farmers Full Cream Milk is available nationally in either fresh or UHT form with total annual sales in excess of \$280 million. It is positioned as Dairy Farmers - Australia's Dairy Best.

An alternative to Dairy Farmers Full Cream Milk is Dairy Farmers Skim Milk which sells approximately 9.5 million litres per year valued at \$10.2 million in annual sales.

Dairy Farmers Fresh Cream, 3.4 million litres of it per year, is worth some \$6.3 million in annual sales. In addition to Fresh Cream there is Dairy Farmers Thickened Cream in Fresh and Long Life variants.

Flavoured milk brands Oak Classic and Oak dare accounts for some \$24.5 million dollars in sales. Oak dare is quite different from existing flavoured milks. Launched in early 1996, it was developed with three, rich, strong, adult flavours - dare Caramel Rush, dare Dark Jamaican Chocolate and dare Espresso Coffee - to appeal to adult tastes.

RECENT DEVELOPMENTS

When the Dairy Farmers name was resumed for the Cooperative's operations in 1996, a new logo was developed to brand the packaging more solidly and better reflect the 'Quality Fresh Everyday' positioning which underpins the brand. Utilising the familiar Dairy Farmers floral rosette



image, originally developed some thirty years ago, the new crisp logo gives an image of clean, consistent efficiency to the brand. The result is a stronger, more uniform shelf presence designed to keep the brand 'top of mind' and reinforce consumer brand preference.

Dairy Farmers has a particular skill in developing modified milks tailored to the needs of specific groups of consumers. One such is Dairy Farmers Life. Released in 1995, Dairy Farmers Life is a modified milk that is calcium enriched and contains added iron and vitamin C. It was developed to address the lack of dietary calcium and iron in the Australian diet, as highlighted in the National Health & Medical Research Council Dietary Guidelines. The Dietary Guidelines for Australians was released in 1992, and the companion document, covering children and adolescents, followed in 1995.

Life provides all the nutritional goodness of milk to consumers, with additional essential nutrients including absorbable iron (for energy and vitality), calcium (for healthy bones) and vitamin C (for healthy bodies and to aid in the absorption of iron). It is available in low fat form (less than 1%) - which is endorsed with a National Heart Foundation 'tick' on the packaging - as well as in standard full cream milk form.

The growth of Dairy Farmers exports has been startling in recent years. Today Dairy Farmers exports a range of products to 26 countries including Singapore, Hong Kong, Malaysia, China,



Korea, Pacific Islands, Japan, Philippines, Indonesia, Papua New Guinea, Iran and Russia. International sales have grown from under \$1 million in 1993 to total some \$21 million dollars in 1996.

PROMOTION

Dairy Farmers supports its brands and products and sub-brands with an integrated blend of advertising, public relations, packside promotions, cause related marketing and sponsorships.

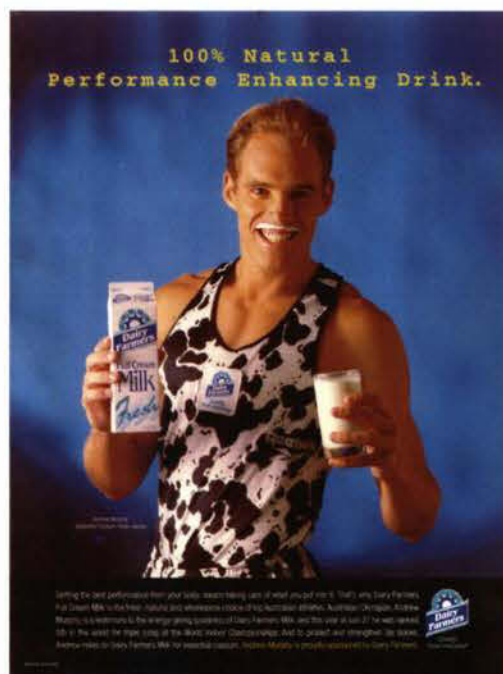
Dairy Farmers is a strong supporter of sporting events, especially for young people. Among the programs it helps to sponsor are NSW School Sport 2000, both the New South Wales and Victoria Dairy Farmers Netball Leagues, and the new initiative Rooball - the junior soccer development program organised by Soccer Australia.

Dairy Farmers is official supplier and sponsor of the Australian Institute of Sport. Through Dairy Farmers Sporting Chance, the cooperative provides financial assistance to athletes to help them prepare for the 2000 Olympics. Olympian Andrew Murphy, Australia's number one ranked triple jumper and 1997 Male Athlete of the Year is the sporting face of Dairy Farmers.

Fiona Coote, the world's first double heart transplant recipient is also contracted as the product spokesperson for Farmers Best. The 'Best Of Everything' television campaign promises that: "With Farmers Best you can live a life without compromise and still maintain a healthy heart. You can drink Farmers Best to your heart's content".

The meticulous attention to quality and the freshness of Dairy Farmers raw materials and of its manufactured dairy products is highlighted by its slogan: 'Quality, Fresh, Everyday.'

In August 1997 an advertising campaign promoting the theme: 'Dairy Farmers - Australia's Dairy Best', was launched to strengthen the Dairy



Farmers Full Cream Milk brand in preparation for the deregulation of the New South Wales milk market in mid-1998.

BRAND VALUES

At a time when it is almost impossible to find food products to put on the family table which are produced by an Australian company, it is reassuring to know that Australian dairy icons like Dairy Farmers and the Dairy Farmers sub-brands Oak, Unity and Ski are wholly Australian owned and are still made by Australians, for Australians.

Dairy Farmers is a brand name with which generations of Australians have grown up, and they trust it. As a pure, natural food company, Dairy Farmers recognises the importance of exercise and good diet essential to leading a healthy lifestyle. For almost a century it has been responsible for providing essential nutrition for Australians from their formative years throughout their lives.

Things you didn't know about Dairy Farmers

- To hold shares in the Dairy Farmers Group you must be one of the paid-up cooperative milk producers. Not even the managing director or Chairman can hold shares unless they are cooperative milk producers.
- Dairy Farmers milk in a bottle replaced the doorstep milk jug in 1925.
- Dairy Farmers free school milk was introduced in 1941 - and only abolished by the Federal Government in 1974.
- Dairy Farmers (UHT) ultra high temperature treated milk was Australia's first long life milk and hit the market in 1977.
- One million milk cartons are used annually by Greening Australia for seedling protectors during reforestation programs.
- Dairy Farmers milk cartons require 90% less energy to transport than milk bottles and when recycled they are born again as office paper.
- Dairy Farmers achieved a world first with the release of Farmers Best 'no cholesterol' milk.