

STEEL BUILDING SOLUTIONS

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R100m FACILITY UNDER CONSTRUCTION

# New farmers' dairy acquires Honeydew and Stonelees

Paul Lee

**A** MEMBER of dairy producers in KwaZulu-Natal has created a major new player in the country's dairy sector.

Honeydew Dairies, one of the biggest in the province, and the smaller Stonelees at Curry's Post have been acquired by the newly launched Dairy Day currently constructing a R100 million new dairy processing facility in Howick.

The combined company operating under the Dairy Day umbrella is owned by 26 KwaZulu-Natal farmers, and the members also stand to benefit from the merger through the Dairy Day Farmers' Workers Trust, which has a 25% shareholding in the new company.

Through the commitment of these 26 supplier shareholders, the business was able to be secured, but the business would be managed by an independent management team.

Standing number Stuart MacKenzie, investment banker former KwaZulu Dairy farmer and chief executive Paul Marshall said Dairy Day had acquired Honeydew Dairies, which had been in operation for more than 25 years, in March this year. It also recently secured the approval of the Competition Commission to incorporate Honeydew Dairies, which has more than 25 years' experience in the industry into its operation.

"After deregulation of the dairy industry in 1984, there has been strong downward pressure on the price paid to farmers for their milk. Having them to increase herd sizes to remain viable," MacKenzie said. As a result, the average herd size on dairy farms had grown from 100 in 1984 to 200 and more.

"This growth in farms constrained by water, new land and political issues is just not sustainable and has, inevitably led to smaller farms exiting the industry."

The number of South African dairy farmers has declined from 20,000 in 2000 to just 11,000 today.

Dairy Day's new 10,000sqm processing facility, expected to come on stream later this year, would be capable of processing up to 600 litres of fresh milk daily as well as producing sterilised milk, cream, yogurt, cheese, butter, powder and butter.

Dairy Day products would be marketed under the Honeydew



From left, founding member of Dairy Day Stuart MacKenzie, chief executive of Dairy Day Paul Marshall, and the managing directors of Honeydew Dairies and Stonelees respectively, Mark Davies and Chris Garbett.

PHOTO: PEARCE

brand and the company would also continue to pick various house brands.

Through the merger, Dairy Day had ensured a secure volume of quality milk to meet the future needs of its customers. The new Howick facility would enhance product offerings through the production of butter and powder as well as by providing expansion opportunities within existing product ranges like cream, yogurt and cheese. Certain products and client ranges would continue to be manufactured at the existing Honeydew facility in Nottingham Road.

Marshall, a chartered accountant and global supply chain management solutions company I77's former vice president of sales and marketing for Africa and the Middle East, said the combination of

these dairies would give Dairy Day the customer footprint, logistics network and staffing skills and experience to establish and increase its operations.

Mark Davies and Chris Garbett, managing directors of Honeydew and Stonelees respectively, would remain with Dairy Day.

"Underpinning the market and, most importantly, customer expectations, is extremely important to us. These mergers have enabled us to retain invaluable industry knowledge. We are extremely pleased to have them on board and look forward to working together," Marshall said.

Davies and Garbett said they were looking forward to being part of a new company which would transform and increase the KwaZulu-Natal dairy industry while also

providing customers with quality products.

Dairy Day would employ 300 people initially but this was expected to grow as the company gained traction in the market. Marshall said Dairy Day represented a long-term investment in the dairy sector.

The company had a strong financial base with start-up funding split evenly between equity and finance provided by major financial institutions. With a sound balance sheet, it was in a strong position to increase both market share and the dairy market as a whole.

"The key to achieving this is through a continued focus on servicing our customers better," Marshall said.

MacKenzie, who developed the supplier-shareholder business model that led to the establishment of

Dairy Day said the company's new approach and more collaborative model would create a mechanism for better servicing the real user, while also tackling challenges facing primary producers and secondary processors.

"This would help guarantee a more consistent supply and pricing, and enhanced quality at the retail interface while assisting farmers, no matter what their size, to develop more sustainable businesses."

"We have created a model that will enable us to better engineer the supply chain from the marketplace downwards and provide an improved means of servicing that marketplace. It will also begin to bridge gaps in a polarised industry and improve communication between primary and secondary producers," he said.