

Value-add a growth business for Fonterra

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New processing plants are helping dairy giant Fonterra make more valuable products from milk volumes expected to be down 5 per cent this season.

Processing sites will have less milk going into them, but new plants will provide the co-operative with more flexibility to generate higher value products for its food service, consumer and ingredients business.

Fonterra has been criticised in the past for too heavy a focus on milk commodities, but the co-operative says it is making headway in developing its value-added business.

About 19 per cent of Fonterra's liquid milk was made into consumer and food service products in the 2014-15 season ending July. The 4.5 billion litres of milk out of the total of 22.8 billion litres produced globally by Fonterra last season which went into more valuable consumer and food service products was up on the 3.9 billion litres the previous season (22.2b litres total).

This season milk production is expected to be down 5 per cent mainly as farmers adjust farm systems to a lower payout. Milk



Fonterra's Clondebroye site is churning out valuable mozzarella at double its previous rate.

flows were back more last month, but appear to have recovered this month to be more in line with the forecast. Spring production peaked at 86.9 million litres on October 22, down on last season's 89.6 million litres.

Global operations managing director Robert Spurway said Fonterra's investment in plant infrastructure at its sites was helping it to process more dairy products with higher margins and deliver its strategy to grow its food service and consumer volumes as well as its ingredient business.

He said maximising value was

a difficult process when sites were at full capacity and this year's lowering of milk production had given more choices in the product mix Fonterra could make.

"Although milk this season is forecast to be down on last season by about 5 per cent the additional plant capacity allows us to make a more valuable mix of products through the peak season when we are at capacity and fully utilise [this milk]. It's a balance and we want to ensure we don't have excess capacity, but we do need some buffer to process all the milk and have some choices on the flexibility of products we want to

make."

Fonterra's new second mozzarella plant at Clondebroye in South Canterbury is doubling the processing of the high value pizza topping at the site. A protected mozzarella making process has shortened the time it takes to make the cheese product from normally a couple of months to six hours.

The process speeds up its flavour and "functionality" during maturing of the cheese. Mozzarella comes off the processing line as a grated product and is snap frozen for export delivery to pizzerias

around the world, mainly China and Asia. Fonterra provides about 80 per cent of mozzarella toppings in pizza sold in China.

More traditionally made mozzarella is processed at other sites in the North Island.

Fonterra development to its sites include a new milk protein concentrate (MPC) plant at Edendale in Southland which goes to customers wanting the ingredient to make yoghurt and other dairy foods.

Resource consent applications have been submitted for an upgrade to its Studholme site in South Canterbury with a decision yet to be reached when building would start. The expansion of the Lichfield site for a whole milk powder dryer in South Waikato is expected to come on line in August. This dryer is expected to be the same size as Darfield's large 30.5t an hour dryer and another 16t/hr dryer has just been completed at Pahiatua.

Spurway said Fonterra had options to expand other sites. Of the 22.8b litres produced last season the lion's share of 18b litres was produced in New Zealand.

Outside milk comes from countries including Australia, Chile and other parts of South America and Sri Lanka.