

# coles

## Proudly Supporting Australian Made



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# Coles – Proudly supporting Australian farmers and food companies

***As part of our 'Australian First' sourcing policy, Coles takes great pride in working with local farmers and food companies to provide the very best food products for the millions of customers that come into our stores every week.***

Coles is committed to providing small business with opportunities to grow through longer term contracts that give certainty to invest and make changes in production that improve quality and generate innovative new products.

As a result of Coles' contracts to produce our private label food products, we have created almost 10,000 new jobs in Australian food manufacturing in the last four years.

The stories in this booklet show how small family-owned farm and food businesses are growing into larger and more successful businesses on the back of supply partnerships with Coles for our customers.

These stories include:

- a \$20 million investment in a new yoghurt production facility near Launceston by Tamar Valley Dairy which will use 4 million litres of Tasmanian milk each year to supply Coles brand products
- a multi million dollar sausage production facility built by the British Sausage Company at Bibra Lake near Perth using 200,000 kilos of Western Australian beef each week to supply Coles brand products
- the Carisma potato, Australia's first low GI potato that helps diabetes sufferers better manage their diet, produced by the Mitolo family from South Australia and sold exclusively in Coles stores nationally
- native bush food products made by Outback Spirit are harvested by indigenous Australians in the Laramba and Rainbow Valley areas in the Northern Territory and sold exclusively through Coles stores around the country
- nearly half a million oranges and apples sourced from citrus growers in Queensland and New South Wales are made into fresh Australian juice for Coles brand products by Grove Juice at Mansfield; and
- a new factory at Braeside has enabled Bread Solutions to employ 140 team members in Victoria who exclusively supply Coles with artisan bread for all of our stores across the country.

These stories represent the leading edge of food manufacturing in Australia – farming families and small businesses in every State, many in rural and regional areas, who are prepared to back themselves with support from Coles.

I encourage you to read these stories about emerging Australian food industry leaders and support them by buying the products they make and sell through Coles.

Thank you.



**Ian McLeod**  
Managing Director



Ian McLeod with Trevor Lee of Australian Country Choice at Babbiloorra cattle station near Augathella in southwestern Queensland, supplier of beef cattle to Coles since 1972



## Jewel of India

### Commitment and confidence behind Coles' 'Jewel'

- Business selling 6 million packaged meals to Coles each year
- Coles now accounts for 35 per cent of Jewel of India's business
- Coles market research allows company to target the right market

**It was Jewel of India's commitment to stand behind the product that ultimately convinced Coles to begin a relationship with the business in 2009.**

"Coles were out in the market place looking at options for good Indian ready cooked meals and our name got put before them," says Kishore Matta, Managing Director of Jewel of India.

"They contacted us, we did a taste testing with their New South Wales team, and the state managers, and we basically got into trial to supply them immediately.

"We aimed to maximise our opportunity, so we put chefs into the store to introduce customers to the product, and allow tasting of the product before purchase."

The trial was a huge success.

Around \$15,000 per week was spent on Coles Curry Pot products in the deli section of that supermarket alone.

Soon Jewel of India was asked to supply 30 Coles supermarkets across New South Wales, followed by a further 100, and then in all stores across the country.

"The trial gave them real confidence in the product, and the relationship and arrangements with Coles have just grown from there."

By 2011, Coles made up 35% of Jewel of India's business, with 17 lines on the shelves.

### Staying true to the original

**Few other meals compare to a good butter chicken. The Indian staple is a favourite takeaway of the average Australian.**

But when you can have great tasting butter chicken at home and guarantee its preservative-free, Australian-made, full of natural ingredients, and sure to taste better than the original, it has even more appeal.

Jewel of India is a New South Wales based manufacturer of pre-packaged curry meals, finger foods, Indian snacks and party foods, Naan breads, rice and dips. The business produces handcrafted recipes to authentically cook the Coles 'Curry Pot' range.

Established 14 years ago, the business has capitalised on Australia's fascination with Indian food specifically – and Asian cuisine in general. In 2011 it sold around 6 million heat and serve curries across Australia.

Headed up by Managing Director Kishore Matta, a former merchant navy Captain, and Indrani Matta, a former food technologist, Jewel of India now supplies fresh chilled curries, simmer sauces, breads, and snacks into Coles, and other retailers.

It also provides meals to institutional and major event caterers, commercial kitchens, hospitals, hotel groups, defence sites, cafes and takeaway outlets, amongst others.

"We're driven by a love of good food and have a valued team of dedicated management and operational staff," says Kishore.

This includes highly experienced chefs with good knowledge of Indian and ethnic foods.

"It is this team of people, and background passion for the food, that has definitely contributed to our success," says Kishore.

"We use no thickeners, MSG, gums, flour or anything artificial and that helps us stay ahead of the competition."

Jewel of India's focus on sourcing only the finest and freshest ingredients carefully blending the spices and creating most authentic preservative and additive free creations,

And it's a winning formula. These Jewel of India is in a number of markets – including Malaysia, New Zealand, Hong Kong, Japan, Holland, Germany and Singapore."

Kishore says growth for Indian cuisine is continuing worldwide and in Australia.

## Service is king

**Belief in the product and a dedication to service continues to make a significant contribution to Jewel of India's success.**

"During the first year of the contract, we had every supermarket contacted 3-4 times a week, orders secured, and deliveries made. We had trucks on the road in every state.

"It was a logistical feat. But it meant the stores were always stocked, and the demand for the product was secured and grew."

Product demonstrations are still common place, and Mr Matta says they ensure Jewel of India is as close to the customers as possible.

"Tasting the product immediately impresses the customer. They see it is restaurant quality, often purchase without hesitation.

"Without the demonstration the customers do not know what to expect and hesitate to try."

Mr Matta admits conducting in-store demonstrations is a cost to the business, but says the return on investment is worthwhile.

"We're committed to maintaining in-store demonstrations. They increase the sales and educate the consumers and Coles is appreciative of that. The store managers – who see the results immediately – are always interested in more!"

## Quality an absolute priority

**Jewel of India's faith in its product is built on a strong commitment to product quality.**

The business adheres to several quality assurance schemes – HACCP, SQF Certification, Product of Australia (made) accredited and Certified Halal International Accreditation.

"Quality assurance and food safety is absolutely top of the list of priorities. Our manufacturing facilities are in full accordance with these standards.

Our team of QA's QC's and food technologists work hard to ensure our standards are maintained.

"It's important to meet customer expectations. In our opinion – and in Coles' – it is essential."

And recognising those expectations change, gives impetus to Jewel of India's constant investment in the business – whether it be operationally through new factories and plants, or time and resource in new product development.

Substantial investment in product development have minimised the allergens in the Jewel of India products. The products are also gluten free.

## Ongoing expansion encouraged by Coles

**Kishore says Jewel of India's commitment to new product development is encouraged by Coles.**

"We have good open lines of communication, and Coles has been open to new products, packaging ideas and the like.

"Ultimately, if it delivers a better product to their customer, meets and exceeds customer's quality and safety expectations, and genuinely excites the customer, they are happy," says Kishore.

It was this commitment to quality that also helped Jewel of India win the Coles tender for production of Thai meals under their brand Thai Origins.

"To cater for this growth, we invested in a new factory in St. Peters with Thai chefs preparing Thai curries.

"It's early days but 35,000 Thai meals are supplied nationwide each month and are currently ranged in limited stores.

It is a growing category and when the range is available in more stores it is poised for substantial growth.

All the usual favourites like Thai green chicken curry. Thai red chicken curry, Massaman beef, satay chicken and jasmine rice are currently available in this range. Pad Thai and Noodle dishes are also under development and likely to be available soon.

Regular international travel helps inform the Jewel of India's product development program.

"We travel the world trying various cuisines, as well as keeping a check on the range of ready-to-eat chilled meals in UK Europe and US," says Kishore.

But India food is not the only focus. Various cuisine offerings are investigated, and considered for the Australian market.

"Australia is very much a growing market. We bring back the ideas and some samples from overseas," says Kishore.

"We start from a small portion at home, and if popular with all, then involve our product development chef, and market testing.

"It seems if it tastes good in the Matta household, it's likely to become a favourite of Coles customers across Australia."

### Currying Favour

Jewel of India's numbers:

**6,000,000**

The number of meals Jewel of India sells to Coles each year

**35%**

The amount of Jewel of India's business represented by Coles

**3,000,000**

The number of hand-stretched, yeast-free naan breads sold to Coles each year

**0**

The amount of thickeners, MSG, or anything artificial in Jewel of India's products



## Q&A with Kishore Matta – Managing Director of Jewel of India

### **How important is the Coles commitment to your business?**

It is very important. It has taken our business to another level – in size and in product range. It has also allowed us to invest significantly in quality assurance technology and processes, as well as setting up a new high care production facility.

### **Why does Jewel of India's partnership with Coles work so well?**

It is a mutually beneficial partnership. We communicate openly and regularly. We're prompt to respond and vice-versa. There is a lot of respect. It's a strong, long-term partnership.

### **Does Coles commitment also help Jewel of India to be at the forefront of new products?**

It was a Coles' initiative to develop a specific Coles Curry Pot range. It was a new concept for supermarkets, and they allowed Jewel of India to work with them to ensure the new range of products was a success.

Similarly, with our Coles Thai range - "Thai Origins" – Coles willingness to develop this concept was an enormous opportunity for Jewel of India to once again be at the forefront of product development.

### **Does your relationship with Coles help provide further insights into the needs of customers?**

Definitely. Coles, with their extensive market research and expertise allow us to target the right market with the current trends and meet the absolute needs of the customers.

### **What role do you see Coles playing in the future of Jewel of India?**

We see Coles as playing a significant role in the future of our business. We are aiming to grow the fresh-chilled meals market together, in order to offer the consumer not only a wider range of products but also ready-made meals of excellent quality and taste.





## Outback Spirit

### Native bush food business boasts a local flavour

- Outback Spirit and Coles invest back into Indigenous communities
- Indigenous Food Fund a core part of agreement with Robins Foods
- Relationship having tangible results at a local community level

A sense of moral obligation to give something back to Indigenous communities means for Juleigh and Ian Robins, business will never just be about profits.

The Robins began a family business to produce native bush food in 1986 but ever since, they've felt indebted to Indigenous culture for their success.

"As a company we made up our minds that our point of difference was our use of indigenous foods. But it seemed to us morally that as white Australians with a business in native foods, we needed to something to at least give something back to Indigenous communities," Juleigh says.

In 1999, Juleigh and Ian - who were producing a range of bush foods labelled Outback Spirit - decided to develop their supply chain with Indigenous representation and ensure there were benefits for Indigenous people. At that same time, Coles also decided they wanted to do something for Indigenous people.

"Coles was sourcing our produce because it was Indigenous but like us, they decided they wanted to give something back to Indigenous communities," Juleigh says.

Coles established the Coles Indigenous Food Fund so for every purchase of Indigenous food, they could directly support Indigenous business development.

A decade later, the fund is still a core part of the arrangement between Coles and Robins Foods and last year, it managed to raise \$100,000 through bush food purchases.

For every Outback Spirit product that's sold in Coles, 10 cents goes back to the Coles Indigenous Food Fund – five cents comes from Coles and five cents comes from Robins Food.

At a community level, this assistance from Coles and Robins Food through the CIFF has helped to establish horticultural projects and this has helped counter shortages in bush tomatoes resulting from drought.

Working with the Outback Spirit Foundation and the Indigenous communities at Laramba and Rainbow Valley, Coles and Robins Foods have developed a permanent planting of bush tomatoes in key locations across central Australia.

For both Coles and Robins Food, however, it's not just about ensuring supply. Just as vital is their role in promoting Australian native foods to support the industry.

"Coles understands that they need to create demand for bush foods through in-store promotions. They've been incredibly brave and committed and never wavered in their support," Juleigh says.

"Coles has been the catalyst for change in bush foods. No-one was able to get traction with bush food until Coles came along."

Robins Foods, which is jointly owned by Juleigh and Ian Robins and fellow Australian food manufacturing family Ward Mackenzie, now produces 300 tonnes of Outback Spirit product each year. Just under half of this produce is supplied to Coles.

Although Robins Foods only employs 12 people, their supply chain involves hundreds of Indigenous people in every state.

Kakadu plums, bush tomatoes, wattle seed, Davidson plums, lemon myrtle, mountain pepper, native mint, lemon aspen, rosella and quandong are sourced from 20 different suppliers, who collectively employ up to 500 Indigenous people.

"We have had a 20 year association with people in these Indigenous communities and they are not relationships maintained just over the phone. A great deal of our business is relationships, not money. We need to show genuine respect for Indigenous culture," Juleigh says.



As a way of formally acknowledging these relationships while also maintaining profits, the Robins decided five years ago to separate their commercial operations from their philanthropy by establishing the Outback Spirit Foundation.

"Until then, we didn't know if we were a business, a charity or a business development unit for regional Australia," she recalls.

Now the Outback Spirit Foundation and Coles Indigenous Food Fund are working together to establish commercial plantings of bush tomatoes in central Australia tropical native foods like Kakadu plum in the Top End and Lemon Aspen in areas such as Cape York.

As Chris Mara, chairman of the Coles Indigenous Food Fund says, "we have similar objectives. We each want to promote and sell native foods to all Australians and make Australians proud of this cultural heritage."

## The true meaning of "home-grown"

Often the greatest inspiration comes from routine, even mundane activities.

And so it was for Juleigh Robins, who was spending endless hours hand-stirring jams and chutneys in 20 litre pots when she first contemplated the fact that none of her raw ingredients actually originated from Australia.

At the time Juleigh and her then husband, Ian, were running a catering business and specialty food store in Melbourne's exclusive suburb of Toorak and everything they sold was home-made.

"When you are standing there just stirring a pot for ages, your mind wanders and it just occurred to me one day that everything we made came from somewhere else," Juleigh says.

"Ian and I talked about it and we couldn't think of a single fruit or vegetable that was Australian. Everything we used in commercial catering or cooking or in our daily lives came from somewhere else originally. They might have been grown here but all originally came from somewhere else."

"Then we started thinking that Aboriginal people must have had their own fruit and vegetables and wondered why as professional cooks we don't know what indigenous fruit and vegetables are."

As true believers of home-grown, home-made produce, it was then that Juleigh and Ian decided they wanted to deliver a new, true meaning to "Australian made" by sourcing ingredients that were genuinely native to Australia.

It was 1986 and the possibilities for bush tucker had not been explored by Australian restaurants or food manufacturers.

After some library research, a visit to a bush food garden belonging to a Melbourne scientist and many discussions, Juleigh and Ian tasted some lilly pillies, lemon myrtle, wattle seed and bush tomatoes from the desert.

"The cooks in us got very excited. The flavours were like nothing we'd ever tasted and we just wanted more," Juleigh says.

"And we just thought 'how come nobody is using these?' Nobody knew anything about bush food. Aboriginal people had been cooking with these ingredients for centuries but no-one was using them in commercial cooking."

The Robins were so inspired they started ringing around general stores and small businesses in central Australia to see if they could source more indigenous product.

"When I tried the bush tomatoes, I just started ringing around anywhere I could think of to try to get some. I had no shame."

Eventually Juleigh made contact with the Laramba indigenous community in the Tanami Desert by calling the local general store and over the phone, she tried to describe the bush tomatoes they were seeking. The indigenous women were not certain what she was describing but offered to collect some bush foods to send down to Melbourne.

A week later they were both excited and shocked a week later when they received 20 polystyrene boxes filled with unidentified bush foods.

"I cannot remember what it cost but thousands of dollars in airfreight. You see I had just given our Air Express number and not specified quantities," she says.

Ian also recalls the culinary challenge. "We didn't know what they were and we knew we wouldn't be cooking them in their traditional way – on fire coals," he says.

But among the bush foods was exactly what they were seeking – the bush tomato – so Juleigh and Ian placed another order with the Laramba community for more.

And again the response was staggering.

"We really were expecting a parcel of bush tomatoes – say about two or three kilograms – so we got the shock of a lifetime because we found the Aboriginal women had managed to gather two tonnes of bush tomatoes," Juleigh says.

"This time it cost tens of thousands of dollars (in airfreight) and took us a year to pay off the bill."

Yet it was this first order in 1990 was a turning point. Using his innate and well-honed skills as a chef, Ian adapted an old family tomato relish recipe, with bush tomatoes.

And to this day, this bush tomato chutney is Outback Spirit's most popular product.

## Innovation is second nature when it comes to bush foods

Originality and innovation has always been at the core of Robins Food's business.

So when they were approached by Coles to establish an exclusive new range of bush tomato sausages, it was like second nature for Juleigh and Ian Robins.

"The move to develop this new sausage range is a huge step for Coles. It is an innovative approach and they've been selling extremely well," Juleigh says.

Robins Foods began the Outback Spirit product range with bush tomato chutney in 1986 but 26 years later, the range is vast.

They currently include chutneys, preserves, cooking sauces, sausages, dressings, rejuvenating flavoured waters and Australian herbs.

But the search for new options is endless and the Robins are always looking for new possibilities and right now that's bush food muesli.



## Q&A with Juleigh Robins – Founder of Robins Foods and Outback Spirit

### **How are you developing your business with Coles over the next few years?**

We have been experiencing significant growth with our brand and our business over the past 12 months with Coles and we expect that to continue over the next few years. We have recently expanded into a non-traditional category for Outback Spirit with our sausages and we are developing some new products in other categories over the next year. There is no doubt that there is a consumer trend in Australia of customers seeking out Australian-grown and Australian-owned brands and foods and Outback Spirit certainly represents real Australian food to the consumer. Our commitment to the Coles Indigenous Food Fund will also continue of course.

### **Does your relationship with Coles help provide further insights into the needs of customers?**

The Coles buyers certainly provide excellent feedback during the development and presentation of products. Often, as a more specialised or artisanal manufacturer, you can become very caught up in the merits of your own product and lose sight of the end consumer and the Coles people provide that very real perspective for us.

### **How important is it to have a buyer who has the economies of scale that Coles has?**

This is critically important not only to us and our business but also to our supply chain of Aboriginal growers and harvesters. The uptake of our native food products in Coles and the support provided through the Coles Indigenous Food Fund (to which both Coles and Outback Spirit contribute) has made very real differences on the ground to our supply partners in remote regions. This simply would not have been possible without Coles support. Coles have also been a force in creating demand for our native foods and this has allowed us and our Aboriginal partners to scale up cultivation projects which offer real benefits, including jobs in these communities. Native foods are often seen as a niche product but a niche product won't change people's lives – Coles has taken our products into the mainstream and has changed lives as a result.



**PROUDLY  
QLD**



## Grove Juice

### The family business taking on the multi-nationals

- Coles provides critical mass to take on multi-national competitors
- Benefits of growth flow through to every aspect of the supply chain
- Company is re-engineering the Australian citrus industry

**Since starting as a small home-delivery fresh juice business in 1969, Grove Juice is now squeezing 300,000 fresh oranges and pressing 180,000 fresh apples every day.**

And they are proud to say every single one of those 480,000 fruit is Australian, all grown by passionate, Australian farmers.

### Growing a family business

"We grew from a small family business to a big family business," says Grove Juice's Managing Director Greg Willis.

"I live and breathe it," he says. "My son lives and breathes it, my wife lives and breathes it – we are so focused on what we're doing and how it relates to regional development and vertical integration."

Greg says they wouldn't have had the critical mass to be able to grow a business from a small base without the help of some big partners.

"At the end of the day, Coles has put their hand up and said we want to partner with you in that," says Greg. "And that's pretty exciting for us."

Greg sees some of his competitors doing similar things with other supermarkets that Coles is working with Grove Juice to do – but the concern he has is those competitors are not vertically-integrated.

"We will see in the next short-supply year that maybe the companies the others are backing may not be there."

### Competing with the large multi-nationals

Grove juice started supplying fresh juice to Coles' competitors with a very short shelf-life back in the late 1980s, but found they couldn't compete with the big companies.

In the Australian juice industry, 80 per cent of the business is controlled by two multi-nationals and Greg believes that it has gotten worse over the years.

"Their focus on juice is minimal," says Greg.

"So you have the biggest players in the industry not leading it. This is not good for the industry, it's not good for retailers and it's not good for consumers."

One of our biggest issues in Australia is there are so many companies that come here, see some numbers and immediately forget we have fewer than 25 million people living on an island the size of the United States of America.

"Our cost associated with the tyranny of distance is massive," says Greg.

"We have politicians who want to go and bash the big retailers – can I tell you, without the big retailers, a company like ours would not have the critical mass to distribute quality food throughout Australia. People forget about that."

"The cost of doing that is massive – it's not a UK, it's not a Europe," says Greg.

"And that's one of the biggest challenges people forget about, even management in retail, find it very hard to get their heads around that and copy models from WalMart or European models – a lot of those simply don't work in Australia."

### Investing in integrity

#### Meeting a challenge and respecting the integrity of fresh juice

Four or five years ago, Grove Juice found the biggest issues with their business was the supply of fruit – the continuity of supply; variation of prices and lack of guarantee of supply.

"At that stage we had spare capacity," says Greg. "So, we were looking at trying to bring in equity to somehow get around that whole issue."

One of the ways was to invest in processing, so they could process just six months of the year, put juice down and end up with an aseptic product, but they felt that that destroyed the integrity of fresh orange juice.

"The fresh juice industry was really going to be compromised if you put something that was squeezed six months ago, aseptically stored it and then put it in a product called in want of a better name "Australian fresh"," says Greg.

"We didn't want to go down that track, but we had to come up with a way to get winter fruit."

Grove Juice had spoken to a number of growers in Griffith, New South Wales, and they had put in small trial patches of different sorts of root stocks so that we could get some winter fruit they could squeeze (they cannot squeeze navels, something a lot of people aren't aware of).

This followed a survey by the NSW Department of Agriculture that discovered crop farming in the Griffith-Leighton area, which is where most of the east coast's citrus came from, had a number of issues.

The survey found the farms were too small; the varieties were wrong; they were probably not sustainable; and the areas they were growing the citrus were probably not the best in Australia – instead they nominated central-west New South Wales as being the best area. They recommended that a big crop – around 50 hectares – is what should've been grown with the view of going bigger with mechanical harvesting.

"There were about five or six growers in that area who took this on as a way of diversifying their cotton and their beef and a few other things," says Greg.

"That's where that whole central-west thing came from and these guys were planting winter fruit, which was the gap specifically for fresh juice people."

The company that was initially behind this move then decided they didn't want to go there "That company had some great vision," says Greg. "But they couldn't make the numbers work, and they weren't in the fresh juice market anyway.

"So, we were down there four or five years ago looking for those growers to see how much juice we could get. In the meantime we had decided to set up a juicing factory in either Stanthorpe or Warwick (in Queensland) and that was predominately driven through the need of securing fresh apple juice, because we were getting all our fresh apple juice from the Orange (NSW) area and they couldn't guarantee supply."

### Meeting Dick Estens

"We went to Stanthorpe and talked to some growers about joint ventures and we got that off the ground," says Greg.

During the planning process of setting up an apple press, Grove Juice got in touch with Dick Estens.

"Around about that same time Dick had lost about 45 per cent of his water for his cotton and he could see his whole business going," says Greg.

"He had done a fair bit of research on converting some of his property – 10 per cent of his cotton property – to citrus."

### Appreciating the man on the land

"I didn't really realise until I was in a partnership with Dick, but the capital investment in either agriculture or horticulture in Australia

and its risk value is outside any other parameters of any investment bank in the world," says Greg.

"I have a brand new respect for farmers in Australia after spending some time with Dick and seeing what they do and the adversity they go through, the highs and the lows.

"I've got to say it's a bit humbling."

### A passion recognised by Coles

This respect is why Greg is really passionate about working with Dick on regional development and re-engineering the citrus industry.

"Yes it is high risk, and the potential financial rewards that keep you going," says Greg. "But there's a whole lot of other stuff there that I think is important.

"Coles has stood up and said 'Greg, Dick, we believe in what you're doing, how do we make this work?'"

Greg believes Grove Juice now has a great opportunity to not only grow their business, but with it the business of their citrus growers and the communities they support.

"Without a company the size of Coles we would not have that opportunity."

## Putting back a commitment to regional development and Indigenous employment

**Dick Estens, AO (pictured above), is a part owner of Grove Juice and a citrus grower from Moree, in the north west of New South Wales.**

Dick set up the Aboriginal Employment Strategy (AES) with the goal of helping Aboriginal people from around Moree find jobs.

Now, 14 years later, the AES has offices around Australia and has found jobs for more than 5,000 Indigenous men and women and built career paths for Indigenous kids.

"The whole philosophy of the AES is we manage up," says Dick.

"We work underneath people, we build self-esteem and pride and you build can-do and performance by managing the right way. You do not build it like bureaucrats have on Indigenous people for the last hundred years, managing down on top of 'em."

Dick believes business partnerships are the key to the program's success.

"What we've got to do is get business working with Indigenous people," says Dick.

"The AES is a partnership company," says Dick.

"Our guys visit businesses and build relationships, you know from visiting businesses and building relationships we gain jobs, and I think the future is about getting a business approach and business people on board.

"The AES is 100 per cent Indigenous people, working with Indigenous people. They're doing it, they're leading it, they are building a model that works."

Prior to working with Coles with Grove Juice, Dick worked with them in the early days of setting up the scheme in Moree.

"When we were looking to establish school-based traineeships, where kids could gain work experience while staying at school, Coles was on of the few big companies that supported us," says Dick.



## Q&A with Greg Willis – Managing Director of Grove Juice

### **What does the Coles' contract provide Grove Juice in terms of certainty?**

Our investment in our industry and wanting to push regional development and vertical integration comes from being able to hang your hat on some critical mass.

You can't get that immediately any other way but work in a partnership with either Coles or Woolies – and Coles has given us that opportunity.

Within two year's Dick's fruit will give us enough fruit with our current suppliers to double our business.

He's about to bring on another 100 hectares, which is about 70-80,000 thousand trees – a massive investment, all based on the assumption that we're going to be able to do fresh juice all the way through – and that's on the back of support from Coles.

While we're filling our winter crop with these new plantings, it will take the stress off the other trees and allow for a more consistent yield.

It is also going to add value as they don't need to bring pickers in over such a long period, so they can become more aggressive with their picking.

But we can only do that with critical mass and we can only get that critical mass through Coles.

### **What other benefits does this critical mass provide?**

If Dick gets his 300 hectares in (his existing 200 plus another planned 100) and depending on the certain variety and some people in the central west do the same, we can then start investing in a \$2 million mechanical harvester and they'll share it around, so all of a sudden that takes costs out of the business.

I think there are also opportunities to do some joint ventures with processors in the Griffith area where you start tinkering some juice around which improves speed to bottling and market.

### **What role do you see the relationship with Coles playing – as the interface to the consumer – in protecting and growing the market for fresh given this issue?**

A very important one.

The development of their 1.5-litre bottle and the big promotion push that accompanied it has been important. It's still struggling a bit in terms of numbers compared to 18 months ago and the two-litre product, but the philosophy behind it is right and it's where we need to be – we need to have a big section of that chilled juice market.

### **How do you view supplying Coles with a private label product that will sit alongside your own branded product?**

Number one is that we've got to promote our industry, which is the juice industry.

### **How do we do that?**

We're a small company – we have five per cent of chilled juice into the Australian market. Long-term, with the support from people like Coles, we believe we can be a very strong number two player, because we think the big guys will exit because it will be too hard.

There are already examples of that. Coca-Cola came into the fresh juice market five or six years ago and now that don't have a fresh juice offering in the marketplace. It got too hard for them because they wanted a stabilised product. Fresh juice is not the same from week-to-week, and it takes quite an innovative company, of which Coles is one, to get their head around that.

### **How important is local knowledge in the fresh juice business?**

That's our strength.

We've been dealing with growers now for 25 years and now we're vertically integrated with them.

The big companies have lost all that knowledge and they don't have any of those on-the-ground people, so we think there are some great opportunities there.

### **On vertical integration, does your contract with Coles filter through to the growers?**

Looking forward we need contract backed up by contract.

With longer-term contracts we can take out some of the pain out of the high and lows, but on the back of that we need guaranteed purchases.

The difference with Dick and his people in the central-west is that they're growing just for juice.

For all other growers, juice is just a bi-product, but it's become such an important part of their bi-product it's now nearly a major part of their business.

We can't grow this business without our growers.

If we grow, we take them with us, and that's the whole thing about vertical integration and regional development – the latter of which is being destroyed by the green movement on one side and mining on the other.

That's nothing to do with politics, but rather begs the question; "who is supporting the food bowl of Australia?"

### **Apart from the vertical integration with growers, what other components of your business do you see providing you with an advantage in the juice market?**

I don't think the current players are going to exit the market; it's just that they don't see it as a priority. And the skills that they've lost over the past 20 years, in terms of being able to select fruit, buy fruit and pay a fair market price.

### **How are you working with Coles, in terms of product differentiation and developing new varieties?**

One of the good things about working with Coles is that they're a demanding customer – and I think demanding customers make you a better supplier.

We whinge about it, we complain about it, but they have helped us lift our game.

What's the point of difference you'll provide Coles in comparison to other private label brands?

I think at the end of the day we're focused on juice – we're passionate about juice. Our competitors are passionate about the other areas of their business – Lion are passionate about beer, they're not passionate about juice.

It's just a commodity to them. In March last year when we couldn't get juice they didn't use concentrate, but instead imported from overseas.

**Outside of economies of scale and the certainty of the commitment of a contract, what is the most important advantage of partnering with a major retailer?**

Before we run onto a rugby field we know what the rules are. We don't get half-way through a game and storm off because we don't like the rules.

When I do business with these big guys, demanding customers as they are, I know what the rules are. We need big guys like that to deal with the size of the country.

**Squeezing the numbers**

Key stats on Grove Juice:

**30,000**

The number of fresh oranges Grove Juice is squeezing every day.

**70,000-80,000**

The number of extra orange trees Dick Estens is planting to help ensure consistency of supply.





## Australian Country Choice

### Coles meets consumer demand for natural beef

A move to hormone-free beef on Coles' supermarket shelves is a direct result of consumer demand for natural beef.

This is the view of Coles' biggest supplier, Australian Country Choice (ACC) – a company so vast that it incorporates 25 properties, two feedlots and a central processing, boning, packaging and distribution facility in Queensland.

ACC Chief Executive Officer David Foote sees the fundamental change as a symptom of a more discerning consumer in today's society.

"While there is absolutely no question about the safety to consumers of eating beef from cattle treated with hormones, there is clear consumer sentiment looking toward more natural products," he said.

"The fact that the current eating quality of Coles butcher beef will further improve is an additional benefit to the consumer."

When Coles declared recently that it would only be selling hormone-free beef as from January 2011, it came as no shock to ACC.

In fact, ACC has been preparing for this fundamental change since December 2008.

In March 2009, the company stopped implanting any of its cattle with hormone growth promotants and already it is in a position to supply the supermarket with 100 per cent hormone-free beef.

Excluding the use of hormone growth promotants across their production system has required ACC to hold and feed their cattle for longer to gain the weight targets it previously achieved with hormone-treated cattle.

### Leading the way

#### At the forefront of change

But as the biggest supplier of beef to Coles, ACC has always been at the forefront of change in the cattle industry.

One of their key strengths is to read the market signals and respond swiftly.

"In the 1960s, it became apparent to ACC founder Trevor Lee that the large domestic users of beef, such as Coles and Woolworths, were constantly being let down by the export-orientated beef industry in Australia," David says.

"With 70 per cent of beef being exported, Coles was always playing second fiddle to the strong export industry.

Not only were Coles let down in supply but they were often held to ransom on price and generally received average quality and inconsistent quality beef."

"This made it nearly impossible for them to develop a meat offering to the standard and specifications they required."

The Lee family saw this domestic supply issue as an opportunity and put forward a proposition to Coles to develop a world class vertically-integrated supply chain whereby it could breed, background, lot feed and process cattle for Coles.

Since then, the Lee Group – which owns ACC and is one of Queensland's largest privately owned family companies – has invested more than \$350 million dollars in its business to own or manage each key stage in the beef supply chain.

The success speaks for itself.

Thirty-five years after ACC first began as a casual supplier to Coles, it has become its principal supplier and processor.

Its size and scale is now so vast that ACC can supply more than 73 million kilograms of beef products – the equivalent of more than 320,000 cattle per year – to Coles in the current financial year. The company manages more than 1.5 million acres to maintain its average herd of more than 100,000 cattle destined for its feedlots and further processing facilities.



Being able to manage every stage in the supply chain makes ACC's operation unique. It is one of very few red meat processors in the world that breeds its own cattle, feeds them in its own feedlots before processing, de-boning, value adding and packing the beef for retail under the one roof.

Employing 1,000 people, ACC currently has around 24,000 cattle in its intensive feeding systems and around 115,000 head on its 25 properties. It also plans to increase cattle numbers by up to 15,000 head due to current favourable seasonal conditions.

## Keeping the customer satisfied

### A more discerning consumer

Listening to what the customer wants is crucial to success.

"The myriad of customer surveys over the years continues to throw up the same responses in terms of consumer priorities.

The stand out expectation and demand is for tenderness, followed by juiciness, flavour and then texture."

"From a retail perspective, similar surveys show consumers make purchase preferences with other priorities in mind.

These are freshness, leanness, meat colour, a lack of marbling and fat colour."

"Perhaps the main change over the last 5 years is that the beef eating consumer has come to expect consistency."

Although value for money will continue to be a key driver for consumers,

David says customers have shown a willingness to pay for consistent quality.

"The advent of TV reality shows such as MasterChef and My Kitchen Rules has made consumers more selective or discerning in their meat purchases."

"From a healthy living point of view I think that consumers are choosing smaller portions and items with less visible fat or products with fat declaration statements," David says.

Without having control over every stage of the supply chain, David believes it would be nearly impossible to supply the consistent high quality product demanded of Coles.

To meet consumer demand for tenderness, ACC has worked with Coles to alter its historic production systems and embraced the science of Meat Standards Australia processing technologies.

On its farms, it has also changed its feeding, nutrition and animal treatment programs and finessed the genetics of its cattle herd. Introducing rigorous grading systems and data bases has also been important.

"The result is that over the last 2 years, ACC is producing the most consistent and highest eating quality it has ever produced," David says.

## Environmental practices

### Ensuring red meat is green

Giving red meat a "green stamp of approval" has also become more important for a more sophisticated consumer.

ACC gained its first environmental accreditations in 2001 for a variety of reasons.

"We wanted to raise awareness among staff, make the business more environmentally-sustainable and also provide protection against the ill-informed but vocal anti-farming, anti-agricultural lobby," he says.

"We wanted to be able to provide proof of our clean and green practices."

In a joint initiative project with MLA and Griffith University, ACC developed a Cleaner Production Implementation Plan which aims to modify the company's processing operations.

By 2015, the company aims to reduce total water and coal use by more than one-third, slash biosolids by 84 per cent and cut total greenhouse gas emissions by 8,027 tonnes.

Already, it has achieved significant progress in reaching these targets.

Since the plan was implemented in 2003, total water use has already been reduced by one-third, total coal use has fallen by 18 per cent, total greenhouse gas emissions have fallen by 3500 tonnes, water waste use has been reduced by 36 per cent and biosolids have been cut by 24 per cent.

ACC is also ISO certified for Food Safety, Quality and Occupational Health and Safety.

This certification (and consequent external audit) could also assist Coles in dealing with these issues given ACC's quite high public profile and recognised alignment with Coles.

As Coles' largest meat supplier, ACC has always believed that it should operate to the highest standards in the Australian cattle and meat industry, especially in areas of food safety, environment and work place health and safety.

### From plate to paddock

Australian Country Choice's adoption of leading global technologies means being able to trace the final product right back to its origin – the cattle. Through electronic animal identification and information systems, all cattle processed can be traced from its point of origin through to when it's a packaged product ready for distribution.

This capability offers a significant marketing and food safety advantage for beef retailers. It will also provide guarantees that Coles' beef is hormone-free.

### Headquarters is Brisbane

The ACC headquarters are located at Cannon Hill within the Port of Brisbane region. At over 100 acres in land area, this site is one of the largest industrial sites in the Brisbane area. Here, more than 850 people are employed and work together to supply over 75 per cent of in-store meats and shelf-ready meat products to Coles Supermarkets on a national basis.

The Cannon Hill processing plant is also the most modern and integrated of its type in Australia and has the capacity to handle up to 350,000 beef carcasses each year.

This all-in-one facility operates to the highest production and hygiene standards.

It is licensed by the United States Department of Agriculture, HALAL certified, Safefood Queensland Certified for Organic processing and Aus-Meat A plus rated.

All operations are under the inspection and monitoring processes of the Australian Quarantine and Inspection Service.

## A People Focus

David Foote says it's important not to focus solely on the numbers.

"People remain the engine room of any business. For a company like ACC that operates in remote and rural locations, a team of dedicated, trusted, committed and engaged team members remains an absolute priority," he said.

To remain an employer of choice, training, safety and the wellbeing of our employees remains a high priority for Australian Country Choice.

The company's commitment to staff is underpinned by the adoption of the Zero Harm at Work program and implementation of AS 4801 Occupational Health & Safety Certification.

### Some beefy stats

25

The number of ACC properties strategically located in southern, western and central Queensland.

These properties are in the Blackall area, Augathella district, Mitchell district and Roma.

610,000

The number of hectares that ACC manages.

120,000

The number of head of cattle that ACC has.

1,000

The number of staff employed by ACC across its integrated operations.

73,000,000

The number of kilograms of beef products supplied to Coles in the current financial year.

100,000,000

The number of sausages, hamburger patties, rissoles, corned, marinated, coated and crumbed fresh beef products that ACC can produce and pack into retail case ready packaged products each year.

## Q&A with ACC CEO, David Foote

### Does your relationship with Coles help provide further insights into the needs of consumers?

ACC meets regularly with Coles to receive feedback from the Coles in-store meat case. This first-hand communication is critical in ACC being able to maintain a responsive and least-cost supply chain partner.

### How is Coles helping ACC in its commitment to growing healthier beef?

Coles meat product development team works closely with ACC to constantly review the value-added beef product range to identify ways to reduce the levels of salt, artificial colourings and artificial preservatives. Coles already has low salt and preservative free products within their meat range.

Coles and ACC are extremely aware that today's consumer takes food safety and healthy products as a given.

### How important is Coles' commitment to running and coordinating a number of growers in different locations?

The extent of the ACC supply chain operation requires significant forward planning. It takes around three years to achieve consumption from conception. Coles' commitment – and equally importantly Coles' understanding of the complexities, vagaries and lead times in rural production -- remains paramount to achieving mutual success.

### Does Coles commitment also help ACC continue to be at the forefront of new products?

The Coles product development team works directly with ACC to develop and bring new products to market.

Working transparently as partners with respect and recognition of each party's limitations or expectations remains a key to success. The new Coles management under Wesfarmer's ownership is the most consumer-focused management team that ACC has had the pleasure to work with.

### On product types and innovation, how are you trying to provide Coles with a point-of-difference?

The ACC integrated supply chain when combined with the Colestock program remains a significant point of difference within the beef category for Coles. Our capacity to show supply chain control from the paddock to the retail counter remains unique across Australia and in fact the world. Further, ACC's integrated central processing facility allows for primary processing, further processing (value-adding) and retail-ready packing within the one facility and cold chain for Coles.



# Mitolo Group

## Innovative approach redefines the humble potato

- Innovation driving growth of potatoes
- Development of low-GI potato provides healthy option for diabetics
- Mitolo to double production of the charisma potato this year

### As staple foods, potatoes and onions certainly have a reputation for being cheap, accessible and long-lasting.

But until recently, innovation is not something we associate with the humble potato and onion.

Thanks to a truly innovative approach by South Australian company, The Mitolo Group, the future for potatoes and onions is changing.

The leading potato and onion business was established 40 years ago but in the past five years, a sharp focus on innovation and developments of new products has resulted in major changes. The Mitolo Group has even been credited with changing eating habits and even increasing consumption.

"In the last three or four years with Coles' customer focus, we've worked a lot closer with its business managers and planning ahead. The result of that has been innovation and R&D – new potato varieties, new packaging, new customer marketing and a \$5 million investment in new machinery," sales and marketing director Frank Mitolo said.

Of these changes, the development of the low GI potato variety, Carisma, is the most profound for the Mitolo Group.

Carisma is the only potato in Australia to carry the official low GI symbol from the Glycemic Index Foundation and provides a healthier option to people on diets or with type 2 diabetes.

Specifically, the GI of Carisma potatoes is 55 - about 30 per cent less than that of other potatoes – and delivers a slower, smaller rise in blood glucose for more sustained energy.

Such has been the success of the Carisma variety that sales reached 4,000 tonnes through Coles supermarkets in the past year. It has also won a series of awards for innovation, including the innovation title at the 2011 South Australian of the Year Awards and the 2011 AUSVEG National Excellence Awards.

Production of the Carisma potato, grown on the Adelaide Plains, at Waikerie in the Riverland, Pinnaroo in the Mallee, in Western Australia and Tasmania, is also expected to double this year.

Experience shows that economies of scale is crucial for innovation to translate to success.

The Mitolo Group's farming operations, which were established in 1989, now consist of 19,520 hectares of land, with approximately 1,627 hectares for potatoes and 244 hectares for onions.

The company employs 300 people and has a daily packing capacity of 500 tonnes at its potato facility in Virginia on the rural outskirts of Adelaide. At the Mitolo Group's onion processing line – also at Virginia – around 100 tonnes of onions can be packed each day.

A \$5 million investment in new packing equipment, which weighs and packs potatoes and onions, was also made last October.

"We've been able to invest in new machinery because of the size of the operation. You can't afford to invest unless you've got the scale and can pay for it. If you are a small producer, you just can't do it."

## Growing the category

Crucial to its investment in equipment and product is the Mitolo Group's new approach to marketing and packaging to "grow the category".

Adopting a move which has been highly successful overseas, the Mitolo Group has introduced a 750 gram pillow pack which holds different varieties of potatoes, such as little whites, little reds, little blues, purple flesh and goldfinger varieties, and can be found in Coles' fridge section.



"The 750g pillow pack of baby spuds comes in an attractive chip packet style so customers can just cut bag open tip out and cook them. It's big in the United Kingdom and the United States and we've bought a special piece of equipment to pack them," Frank says.

"It's a longer term investment, which is about working together with Coles to grow the category rather than just sell potatoes and onions."

Frank also credits Coles with giving the company the confidence to invest in R&D and the consumer insight to understand what the customer is seeking.

"The commitment with Coles enables us to fast track the development phase and have the confidence to commit on a bigger scale."

## Recipes to drive impulse purchases

To attract the eye of customers and increase consumption, the Mitolo Group is also designing its own recipes to attach to bags of potato and onions and developing special tags for one month promotions.

As a supplier of potatoes, onions and olive oil, the Mitolo Group also strives to include all three products in its recipes.

"We're doing a lot of innovation with different types of packaging. For example, we are developing special tags for one month promotions. We'll have a recipe and quite attractive visuals on the tags."

"The first one we did was with a roasting onion recipe attached to a bag of piccolo onions with oil satchet inside it. We sold a million units in a month which we thought was impressive. Since then, we've designed tags for piccolo onions with an Italian recipe, salad recipes using potatoes and onions and we've produced low GI recipes with carisma."

"Sometimes we think the tag itself is a bit of a driver of impulse purchases. We try to do things a bit differently to drive success."

## Mitolo Group timeline of key dates

- 1972** Bruno Mitolo establishes a potato and onion packing business under the name of Comit Farm Produce
- 1989** Mitolo Group begins its farming operations, growing potatoes and onions
- 2005** Comit Farm Produce is renamed as Mitolo Group; Ollo Extra Virgin Olive Oil is launched
- 2011** Australia's first low GI potato, Carisma, is launched by Mitolo Group
- 2012** Mitolo Group now sells 47,000 tonnes of potatoes and 11,000 tonnes of onions each year – of which 38% is sold to Coles. The business also sells 265,227 litres of ollo olive oil each year – of which 40% is sold to Coles.

## Crunching the numbers

**19,520**

The number of hectares of land farmed by Mitolo Group

**300**

The number of employees

**45**

The number of tonnes of potatoes that can be packed each hour

**100**

The number of tonnes of onions that can be packed each day

**11,000**

The number of tonnes of onions sold by Mitolo Group in 2011-12

**47,000**

The number of tonnes of potatoes sold by Mitolo Group in 2011-12

## Q&A with Frank Mitolo – Sales and marketing director for Mitolo Group

### How would you describe your relationship with Coles?

The last three or four years with the new style of Coles, we've worked a lot closer with business managers and looking ahead and planning ahead.

The result of that has been innovation and R&D – Carisma came about because of that – we do a lot of work on new varieties.

In the last six months we've invested \$4 million in new machinery geared around Coles' business. We've got a lot more direction and surety than we did four years ago.

Commitments are made - 12 month plan – we've got a lot more idea of where we are going 12 months ahead.

### What are some of the other new varieties you are developing?

The Virginia Rose is a new red potato with a superior taste and cosmetics to the Desoray.

The other innovation is we've introduced 750g pillow pack of baby spuds in an attractive chip packet style so just cut bag open tip out and cook them.

This is big in UK and US and we bought a special piece of equipment to pack them. Very new, just rolling. Serve four people and all same size – no cutting or peeling.

We've got baby caris, nadines (little whites), little reds and little blues. There will also be a purple flesh coming out and goldfingers (fingerlings like a Kiffler). These are rolling out in 20 stores now in the next few weeks. Branded as Coles in fridge section under a sign saying Potato Packs.

Longer term investments include creating a service to Coles to increase the category rather than just sell potatoes and onions. It's all about working together to grow the category rather than just sell potatoes and onions.

We're also doing a lot of innovation with different types of packaging. For example, special tags for a one month promotion. We'll have a recipe with quite attractive visuals on the tags.

We've also done some work with a bonus olive oil satchel in the pack of onions, also with recipes on the tags.

We've done piccolo onions, baby roasting onions, with an Italian recipe and are looking to do a Roman lamb recipe with onions and potatoes.

### Does your relationship with Coles help provide further insights into the needs of customers?

Definitely. There is a lot more sharing of any research that is done. There is a very strong customer focus in Coles and a lot of information is shared so we have a much better handle on customer feedback.

So Coles are making us become more customer-focussed - rather than just selling potatoes, it's what the customer wants.

### How is Coles helping The Mitolo Group in its commitment to produce the highest quality?

Consolidating supplies has given us increased volume and Coles' program commitment has helped us to invest in producing better quality at a competitive price.

### How important is Coles' commitment in growing and developing The Mitolo Group's business?

It's vital because before there was a lot of talk and no action. Previously, we would talk about new projects or plans but nothing happened.

We couldn't really invest in anything because we didn't know where we'd be from month to month or year to year. There was no underlying direction. Whereas now as a result of Coles' commitment, we have a plan set in place.

### Does Coles' commitment also help The Mitolo Group to be at the forefront of new products?

It does because it normally takes three or four years to develop a new product and work up to producing commercial volumes.

Because we are working so closely with Coles now, we can get new products off the ground much more quickly. The commitment with Coles enables us to fast track the development phase and have the confidence to commit on a bigger scale.

### On product types and innovation, how are you trying to provide Coles with a point of difference?

I think we're the poster boys for the produce department because we've done so much innovative marketing, with our new packaging design and our work with the Coles' design team to get things happening quickly.

We've invested a lot in different types of innovation – the potato industry is a lot different than it was two years ago.





## Tamar Valley Dairy

### Growth in the valley new contract a jobs boost

- Tasmanian business to produce Coles private label yoghurt
- Coles contract underpins viability of \$20m investment
- Negotiations on yoghurt contract focused on quality not price

**A local manufacturer that only fifteen years ago consisted of three people producing half-a-tonne of yoghurt will produce Coles private label yoghurt.**

Today Tamar Valley Dairy employs 108 people and is building a new factory and is spending about \$20 million on this and new equipment.

"Coles contract will definitely help the project viability," says Guaraci "Archie" Matteo, founder and Managing Director of Tamar Valley Dairy.

"As a direct result, 40 new positions will be created."

Archie modestly describes this company as "a small family dairy business".

"We started here in Launceston 15 years ago now," says Archie. "It was a very small concern."

Over the years the company has grown to employ 108 people and produce over 180 tonnes of yoghurt per week.

### A company of opportunity

Staff and management at Tamar Valley Dairy have created a supportive environment within their workplace, and in 2005 they won the Prime Minister's Employer of the Year Award (Medium Business) for its ongoing commitment to employing people with disabilities.

"We've got a very strong focus towards staff and towards employing people with disabilities and impediments and giving them an opportunity," says Archie.

### A proud Tasmanian company

Tamar Valley Dairy is a strong supporter of local industry, relying on Tasmanian grown produce for its ingredients. It is the only Tasmanian company exporting yoghurt to mainland Australia

"When we first started we were only supplying Tasmania," says Archie. "Then we moved into Melbourne and as the product proved itself in Victoria, the major chains helped us to progress and expand into the other states."

Coles is one of Tamar Valley Dairy's major clients.

"Of course, like everyone, we started slow with small amounts of product," says Archie.

As the product gained popularity, the relationship grew.

"The relationship has grown much stronger in the last 12-months when Coles' concept of doing business with its partners changed," says Archie. "And our relationship has been getting stronger and stronger since."

### Tamar Valley

Our company has spent a lot of money in the last 15 years working hard to make the Tamar Valley synonymous with quality.

"If you go back 15 years when we started, the Tamar Valley as a broad name was fairly unknown," says Archie.

Having invested a lot of money in this pursuit, the results are starting to appear, with a number of businesses taking advantage and using the Tamar Valley name.

"Hopefully we'll see the Tamar Valley have a name like the Margaret River in terms of quality – for yoghurt, for cheese and for wines, and we're not far from it," says Archie.

"And this contract with Coles can only help."



## Growing with Coles

"In terms of choosing Tamar Valley as a supplier we wanted a supplier who was innovative," says Coles' Merchandising Director, John Durkan.

"We wanted someone who was able to not only produce great quality products, but was and a supplier passionate about growing their business."

Customers have been telling Coles they want clean and natural products.

The products launched with Tamar Valley Dairy will have no artificial colours or flavours and be gelatine-free.

In addition, the products will be made with Tasmanian milk.

"Yoghurts is a market with strong growth, and we therefore need a supplier who can grow with us," says John. "And Tamar Valley Dairy is keen to do this."

Archie and his team have a great attitude, are passionate about producing yoghurts and will go the extra mile to produce products that customers think taste great."

## Tamar Valley Dairy by the numbers

Some key Harvey Fresh statistics:

**40**

The percentage increase to the retail side of Tamar Valley Dairy's business generated by the Coles' private label contract.

**3**

The number of people first employed by Tamar Valley Dairy 15 years ago (Archie, his wife and an apprentice).

**108**

The number of people employed now. A figure that should increase by another 60 with the opening of Tamar Valley Dairy's new facility (artist's impression pictured below).

**180**

The tonnes of yoghurt Tamar Valley Dairy produce each week.

**20,000**

The number of litres of Tasmanian milk the company uses each week.

**3,700**

The additional square metres of Tamar Valley Dairy's new facility compared to their current site.

## Q&A with Archie Matteo – Managing Director and founder of Tamar Valley Dairy

### Guaraci "Archie" Matteo, founder and Managing Director of Tamar Valley, brings a wealth of experience to his role.

Archie's exposure to the dairy industry started the moment he was born, as he comes from a long line of cheese makers, going all the way back to his family's roots in Europe.

When Tamar Valley Dairy began fifteen years ago, the only employees were Archie, his wife and an apprentice.

They worked hard, producing a large quantity of yoghurt and cheeses. After a couple of years had passed and the business grew, the company was faced with the challenge of space constraints and responded by narrowing their product range to concentrate solely on yoghurts.

### What do you attribute to Tamar Valley Yoghurt's success?

The consistency of the product, our price has always been steady and our product is free from preservatives and additives.

### What does the Coles private label contract mean for Tamar Valley Dairy?

We were approached by Coles to produce their private label product for them and they were prepared to negotiate a price around quality. Previously, most home brand negotiations were based around price and then they deducted the quality.

In this case Coles is prepared to pay a price based on the quality of the product and they have been very reasonable in paying a higher price to get a higher quality product.

Coles' private label will account for about a 40 per cent of the projected increase on the retailing business of Tamar Valley.

### Has the Coles' private label contract given you more confidence to invest in the future of your business?

Tamar Valley is building a new factory and is spending about \$20 million on this and new equipment.

Coles contract will definitely help the project viability and as a direct result, 40 new positions will be created.

We're also looking at setting up another dairy farm in Bridport – a new farm created from scratch – and they will be an exclusive supplier for Coles' product.

Indirectly – between transport, farm workers and suppliers – we'll probably look to employ another 110 people.

### **How does your relationship with Coles transfer to how you can then relate to your dairy farming suppliers?**

The relationship of course always comes down to money – you can't unfortunately get away from that.

The better price I can get from my retail partners, I can afford to pay a better price to my farmers – therefore they can afford to look after their animals better and the quality of milk goes up and our quality of product is always high.

Whereas if I can't get a good price on my products, I can only afford to pay so much to my farmers and the feed quality suffers and while the milk would still be good quality, it's not premium quality milk, it's just good quality.

At the moment our company purchases the milk through Fonterra and we have about three farms supplying us at the moment and we use about 200,000 litres of milk each week – and with Coles private label coming on board we'll be looking at 3-400,000 litres a week.

And as I said before, this whole negotiation was done on quality, not on price and that's why we agreed to this relationship with Coles.

### **What do you think gives Tamar Valley's product an edge on its competitors?**

We have staff that care.

We have a very good relationship with our staff and they care about the product and they always strive for quality.

We're also very, very flexible in what we can do compared to the larger companies, but it really comes down to quality – that's our winning ace.

Everything flows back, so we're sliding upwards, not backwards as we would with a lower quality product.

### **Will the approach you take to producing Coles' private label product differ in any way?**

Absolutely not.

We presented Coles with a high quality product – it's not going to be like a normal 'home brand' – it will stand out above its competitors.

What are your views on producing yoghurt for Coles' private label that will sit alongside your own branded product?

In the past people have associated home brand products with cheap quality which can hurt the overall category.

We agreed with Coles that we'd produce a very high quality product for their private label and that will have a positive impact on the consumption of the yoghurt and of course as the producer, we'll benefit also.

### **What does the Coles contract provide you in terms of security and confidence and help make Tamar Valley Dairy a stronger company?**

We've got a five-year contract with Coles, therefore we're able to give longer contracts to our suppliers and they are more confident in spending money to better operate the facility to supply us – and when they invest in their facilities, we get a better product in return – and then we sell more product.

Everything flows back, so we're sliding upwards, not backwards as we would with a lower quality product.

Economies of scale always come into production. By putting more product through our machines we are able to reduce our manufacturing costs without diminishing the quality.

And of course if we reduce our manufacturing costs we can afford to invest more into better machinery and the increase in production.

The increase in volume will allow us to be more competitive in the market – because we have a slight disadvantage being in Tasmania and getting our product across Bass Strait.

### **How important is it to have large retailers, such as Coles, in terms of economies of scale and getting your product out to a geographically large market, but one with a population well below that of say Europe or North America?**

It is very important. Volume fixes everything. The more volume we have the better we're able to negotiate with the transport company. It also benefits our transport company as they have a lot of freight coming inbound to Tasmania, but little freight outbound – so this helps redress that balance.

The economies of scale this provides allows us deliver a product at an affordable price compared to some of the larger brands while maintaining a higher quality.

### **How does the new contract with Coles help Tamar Valley Dairy in terms of innovation?**

We've got a lot of plans in terms of diversification, but you cannot realise this unless you have confidence in the future.

We've also been very constrained here in terms of production – we only have 800 square metres. The new factory will have 4,500 square metres of production; therefore we can innovate and launch other products.

What we've done in the past is launch something new, only to have someone copy us shortly after who had a greater production capacity than we did, so we'd fall behind. This won't happen with the new facility.

### **How do you see this will impact the future of Tamar Valley dairy?**

We expect that within the next three years our production should increase to about 250 tonne a day and we'd have employed another 60 people.

### **What advantage will Tamar Valley Dairy provide Coles' private label compared to similar yoghurts?**

The quality will be above that of the leading multi-national brands and people will be able to pick that quality straight away.

The focus on quality rather than price was the reason we accepted this contract. We are not interested in producing a range were the negotiation is on price, as this will impact on our reputation – we don't want a product that doesn't meet our quality standard impacting our good name.

### **Where do you see your relationship with Coles at the end of the five-year contract?**

I'm very positive the relationship will continue and the contract will be extended. This is because they're not looking for the cheapest product that could be produced and put a tender out, they are focusing on quality and want to work long-term with us to maintain this quality.



## Bread Solutions

### A bread company on the rise

Coles relationship with Bread Solutions began in 2007.

"We built this factory on the back of a handshake from Coles," says Deyrick.

The factory is the company's current base in the Melbourne suburb of Braeside and opened in Easter 2008 with ten employees.

Today, Bread Solutions employs 140 people and the company has grown a staggering 770 per cent since the move.

That's the equivalent of the business doubling in size every year.

"Coles has never let us down," says Deyrick. "They backed us and have been a great partner to work with ever since."

### An innovative approach to a timeless craft

#### Innovation the key to growth

Bread is one of the oldest prepared foods, with evidence of its origins dating back 30,000 years.

The bread business today is one that goes a long way beyond simply mixing dough, flour and water.

Deyrick understands the need to innovate better than most. He regularly travels overseas looking at different technologies.

But Deyrick is not looking to copy existing innovations, he is looking for ways Bread Solutions can lead the rest of the world.

With the company's 'minute technology', he believes they have achieved this.

'Minute technology' derives its name from the time it takes to re-bake the product – one-to-two minutes.

This is a lot shorter than any other par-bake product, and is the closest any supermarket bakery will get to producing artisan-bakery-quality bread.

To better explain this breakthrough technology, Deyrick explains there are limited options for a traditional bakery in preparing bread.

They are:

**Scratch** – this is the method familiar to most people's thoughts of a bakery. This is the 2am start to weigh the flour and the yeast and prepare the bead for baking so that it's ready at dawn. Most supermarket bakeries get around such an early start by using a pre-mix.

**Frozen dough** – This is the process where someone else makes the dough, shapes it and freezes in before sending it to the supermarket. One of the main problems with this method is that the time saved by preparing the dough from scratch is largely lost waiting for it to defrost. It is also still dependent on skilled bakers (currently in very short supply) to prepare.

**Par-bake** – for bakeries such as Bread Solutions this has never been an option, due to the extra moisture loss. While the method is incredibly efficient for retailers, at the end of the day most par-bake bread will begin to go stale on the shelf.

#### Yeast in his veins – a brief introduction to Deyrick Upton

Deyrick has a wealth of experience gained from senior roles in large baking franchises and from running his own companies.

He is formally qualified in baking and food science and has a thorough understanding of the bread market – an understanding he is now able to ply on a larger scale than ever before thanks to Bread Solutions strong relationship with Coles.



### That is until 'minute technology'

In developing this approach, Bread Solutions has seen a greater concentration of enzymes than ever before, allowing the bread to retain its moisture – so much so that it has more moisture than if prepared from scratch. As a result the bread is every bit as fresh at the end of the day as when it comes out of the oven.

"In blind taste tests, people were unable to tell the difference between the freshly baked morning bread, and the bread that was on the shelf at 6.30pm."

### State-of-the-art-equipment is no cookie-cutter

Skilled bakers are in short supply, but with state-of-the-art technology, Bread Solutions can produce 10-20 times the output of a traditional bakery utilising the same number of skilled people.

"If you de-skill, then yes, it could be labelled a cookie-cutter approach," says Deyrick.

"However, Bread Solutions does everything a little bit different to the norm."

Deyrick says their state-of-the-art equipment challenges conventional thinking.

"There is still a strong skill approach with our equipment," says Deyrick.

"We handle our highly-fermented dough with the same craft as an artisan baker."

## Early risers – helping Coles stay ahead in the bread game

### Elevating bread to a new level

"One of the things we love about working with Coles is that they are looking to elevate bread to another level – to give the consumer something totally different.

"Our rustic baguette is a great example of this," says Deyrick.

"Here is a roll we produced for Coles supermarkets that then went on to win Best in Show at the Sydney Show. This isn't just us pumping our own product, this is an award-winning, artisan-quality product."

Deyrick is confident that with Coles, they couldn't find a better partner to grow the category.

"Coles really gets the concept of bread really well," says Deyrick.

"They get the 'theatre' of the local bakery, and initiatives such as having bread out of plastic and 'naked' on the shelf I believe is playing a big part in increasing the demand for our product.

"Bread is the first thing you smell in the morning – it is at the pinnacle of fresh produce," says Deyrick.

In terms of Australia's perception and appreciation of bread, Deyrick believes we're years behind North America and Europe.

"The typical French person will visit a bakery three-to-four times a day – in Australia that's likely one visit every three-to-four days."

However, Deyrick believes Coles is making great strides in placing bread under the spotlight it deserves, citing the local Coles at Oakleigh as a great example of what an innovative approach can do to sales.

"Bread sales at that store are up 70 per cent compared to last year."

## The dough always rises

Bread Solutions by numbers:

**771%**

The growth of Bread Solutions since it first started supplying Coles in 2007

**2008**

The year Bread Solutions opened their new factory "on the back of a handshake from Coles"

**10**

The number of people employed by Bread Solutions when they opened their new site

**140**

The number of people employed by Bread Solutions today

**24 hours**

The number of hours Bread Solutions operates every day of the year bar two.

## Working together – a Q&A with Deyrick Upton, Director of Bread Solutions

### **Does your relationship with Coles help provide further insights into the needs of consumers?**

Yes it does, very much.

We get product briefings all the time from Coles about new products and new directions they're looking to take. A great example of this would be a healthy, low-GI product.

### **How is Coles helping Bread Solutions in its commitment to produce meat of the highest quality?**

We work closely with the Coles quality team to ensure we produce the highest possible standard.

Our rustic baguettes are a prime example of this.

Coles encouraged us to go beyond the traditional French stick, confident that the demand was there.

The rustic baguette was our response and it has gone on to become the number one selling artisan bread at Coles.

### **How important is Coles' commitment in growing and developing the Bread Solutions business?**

It is crucial.

We first supplied Coles in 2007 and since then our business has grown 771 per cent – that's in excess of 100 per cent each and every year.

That's the extent of their importance – our business is doubling every year because of the demand Coles has created.

Our professional relationship with Coles also continues to grow. Every time I'm at the Coles offices in Hawthorn senior management, such as John Durkan, go out of their way to come up and have a chat.

### **Does Coles' commitment also help Bread Solutions continue to be at the forefront of new products?**

The success of the business due to our partnership with Coles provides us with a great foundation to continually look to be ahead of the market with new products.

A great example of this is the gourmet artisan rolls that we're working with them on – these are rolls you cannot get even at an artisan baker.

The great thing that Coles does is that it goes beyond simply the development and elevates the finished product so that it appeals to the consumer and entices them to try something totally different.

Coles has even enabled us to work with Curtis Stone to help develop new lines.

### **On product types and innovation, how are you trying to provide Coles with a point of difference?**

We continue to work with Coles to constantly extend our range.

But this isn't just in the artisan category, such as with the artisan rolls.

We and Coles are aware that not everyone wants an award-winning bakery product – sometimes they just want a soft bread roll – so we're always working with Coles to develop a mainstream range of the highest quality.





## Jindi Cheese

### Gippsland milk and European knowledge combine to produce world quality cheese

Based in the rolling hills of Australia's dairy farming heartland in Gippsland, Jindi Cheese celebrates the time-honoured traditional method of cheese making – one that values the benefits of patience, allowing for natural ageing to occur.

Proudly Australian made and owned Jindi Cheese is the largest, private, locally-owned specialty cheese manufacturer. It used only the highest quality cows' milk produced by local cows that feed on the lush, rich pasture of West Gippsland – so the milk doesn't travel far before it is transformed into authentic, hand-made cheese.

Jindi's Head Cheesemaker, Franck Beaurain and his cheese making team of passionate locals, are currently creating a special Jindi Reserve range which on release will be exclusive to Coles. The range – which includes a Cremeux, Washed Rind and Estate Blue – is a response to the shortage of ripe and ready to eat local cheeses on supermarket shelves.

"Most cheese you see in stores today is released before it is mature and in optimum condition," says Franck.

"In Australia our cheese culture is still very young. Few people understand the benefit of maturing cheese for optimum flavour and often eat cheese before it has reached its full potential."

Franck says that while there are many elements to producing top quality cheese, the traditional method of ripening that is so often the missing link. To add complexity to cheese and to make it something special cheese has to be allowed to age.

"Hopefully the introduction of the Reserve range in Coles supermarkets will help to further develop Australian palettes and increase the demand for artisan cheese."

Thirty years ago, Australians' appetite for cheese barely extended beyond cheddar. Over time cheeses such as brie and camembert became popular (despite most consumers not being able to differentiate between the two), and Franck hopes this will soon be expanded further

### Recognition for high quality

And there is little doubt that Jindi Cheese and the Reserve range is at the top of their craft.

In August, the Jindi Reserve 1kg Brie was awarded the best Brie/ Camembert of the Royal Melbourne Show Fine Food Award 2011 and was the only gold medal received in these two categories.

The high quality of Jindi's cheese is in a large part borne from its passionate employees. During peak times this represents about seventy locals (including eight cheese makers), all of whom appreciate local regional produce made from cows who feed on the rich pasture of the West Gippsland valley.

As head cheese maker, Franck makes sure that every decision made during the process does not compromise the quality of the Reserve range and enforces two non-negotiable rules:

Rule 1 : Only the best quality cheese will be selected for the Reserve range – it cannot be too salty, too dry, too strong or too mild.

Rule 2 : The cheese will not be released when it is too young – it has to be just right.

The Jindi Reserve range will be found in specialty cheese shops being developed as an extension to Coles' delis.

While the locally sourced and made Jindi Reserve range will be a step up from the gourmet cheese range found in the dairy aisle, but will be more reasonably priced compared to the imported cheese of a similar or lesser standard found in specialty foodstores.

### Investing in excellence

A recent addition to the company's property on Old Telegraph Road in Jindivick is a brand new factory, which according to Franck, has already impressed a host of cheese manufacturing experts from France.

The new factory will help Jindi meet its aim of supplying 2,000 tonnes of cheese per year. However, Franck maintains that it is 'quality' and not 'quantity' that will continue to drive the focus of Jindi Cheese.



"As well as physical investment in the factory, we've also invested a lot in our processes and moulds so we can expand our range even further."

While they plan for growth, Franck says Jindi will remain a size that allows for a smaller, more flexible management than some of their big name counterparts.

"The size of Jindi is perfect," says Franck. "It is functional and allows us to make cheese the way we want to make it – we don't simplify things for the sake of efficiencies."

A perfect example of this is their use of the same cultures that are used in the cheese making process in France.

"A lot of companies that are producing cheaper camemberts will only use one culture," says Franck.

"Here at Jindi, for the high-end quality of the Reserve range camembert, we are using eight cultures."

"It is another demonstration of how we can make the same quality of cheese here in Gippsland, as they do in France – it is no longer true that European cheeses are better than what we can make here in Australia."

## Meet the cheese makers

**Franck "with a 'c' Beaurain** was born in Normandy, France, but Australian has adopted him to make a cheese that can stand alongside the very best in the world.

Franck's native France really knows how to make good cheese and his team have the advantage of using the very best Gippsland milk to make the highest quality cheese.

He has been described as 'a cheese freak'. He lives for cheese and meticulously practises the art of fine-tuning his craft.

Franck's right hand man is a local with a dozen years of cheese-making experience.

**Shane Adamiak** is tasked with checking that the cheese is made correctly. Shane controls the quality of the Reserve range, ensuring the high standards of both Jindi Cheese and Coles are met.

## Jindi by the numbers

70

The number of local people employed by Jindi Cheese during peak production

8

The number of cheese makers employed by Jindi

2,000

The number of tonnes of cheese Jindi aims to produce in a year

5

The number of different cheeses available in Coles Jindi Reserve range – Cremeux, Camembert, 1kg Brie, Washed Rind and Estate Blue.

13

The number of kilograms of cheese eaten by the average Australian consumer each year

24

The number of kilograms eaten each year by the average French consumer each year

## Q&A with Jindi's head cheese maker, Franck Beaurain

### Does your relationship with Coles help provide further insights into the needs of consumers?

Definitely.

Coles has identified a need for top quality cheeses in their supermarkets. The requirement from their customers is that these cheeses are more flavoursome and comparable to the top quality cheese products coming out of Europe.

### How is Coles helping Jindi Cheese in its commitment to produce cheese of the highest quality?

The establishment of new concept cheese sales at Coles place a priority on high quality specialty cheeses based on traditional recipes. The new Jindi Reserve range has been developed to perfectly meet this trend.

### How important is Coles' commitment in growing and developing the Jindi Cheese business??

It's very important. To supply the new range in 171 of Coles high profile stores is a big motivation for us. Should the Reserve range be successful – which we are sure it will be – it will mean a big incremental shift in volume.

### Does Coles' commitment also help Jindi Cheese continue to be at the forefront of new products?

Absolutely. With Fiona (Fiona Goniak, Coles xxx) we are currently working on a range of products to develop an extended variety in the coming years.

### On product types and innovation, how are you trying to provide Coles with a point of difference?

No problems there – the Jindi Reserve range is different from other Jindi products. With the Reserve range, we've given the utmost priority to texture and flavour. The results are almost undistinguishable from European products – other than they are made right here in Australia using quality Gippsland milk.



## Farm Foods

### A love of red meat with innovation and attitude

- Coles helps innovative company to adapt to consumer expectations
- Brothers say much of company's success is built on Coles
- Business is booming, with growth now doubling year-on-year

**Constant product innovation and a strong relationship with Coles have seen meat manufacturer Farm Foods double its growth annually.**

This growth will see the company move to a new plant with the capacity to produce five times the volume of the current premises.

It all began a decade ago with the purchase of a quaint butcher shop in the picturesque town of Birregurra, in the heart of Victoria's Western District.

Eight years later, Farm Foods is a booming business, about to relocate into purpose-built premises with growth doubling year on year.

Directors Nick Kerr, and his elder brother Richard, are the first to admit that much of their success has sprung from a strong relationship with Coles.

"It's a relationship of mutual respect, built on quality and innovation," says Nick.

The first Coles line was a solitary line of Certified Australian Angus Beef (CAAB) sausages. Sold initially in Victoria, the line was taken up nationwide.

"With a very small amount of waste product, Coles was happy to keep talking to us," says Nick.

"The business grew from there, and we now supply 100,000 plus meals weekly."

In fact, Farm Foods had been knocking on Coles door for a couple of years before the first line was placed on the shelves.

### From good stock: meat in the brothers' DNA

**Born and bred in Victoria's Western District, it's not surprising that a love of red meat was in the brother's DNA.**

Richard initially followed his father into the livestock agency game, while Nick spent time as a boner in a meat plant, and it was armed with this sound understanding of the livestock industry, the initial butcher shop had flourished.

Within a couple of years it had grown to a series of liquor/butcher/delis across Victoria's south-west in Birregurra, Hamilton, Queenscliff and Torquay.

At the time, Farm Foods was also supplying a range of independent supermarkets with gourmet sausages in a natural casing.

"We were always looking for opportunity, and we were the first to do the natural casing. We were always thinking: where can we go from here?"

Around the same time as the first Coles order, the shops were sold, and the business consolidated at a rented processing plant in Geelong, and as time would tell, Farm Foods could go a fair way.

These days, the business supplies multiple lines into Coles under the Farm Foods, Outback Spirit and Coles branded labels.

Hamburgers, sausages, meat loaf, and chevaps (a skinless sausage wrapped in a spicy crumb), distributed nation-wide, are all manufactured at Farm Food's Geelong processing plant.

"Basically we're in the business of adding convenience and value to ground beef," says Nick.

"Early on we used to slaughter, but five years ago we stopped boning our own, realising it was more efficient to procure the raw product."

### Innovation: keeping it simple

**"It's all about keeping it simple," says Richard.**

"We concentrate on adding value, and on quality and innovation. We're always scrutinising our operations, considering new products, looking at the latest technology."

Visits to Continental Europe throw a lot of product ideas into the mix but also alert the brothers to the most modern and efficient machinery for meat processing and packaging.

"Our industry is pretty stagnant. There has not been a lot of innovation but we take a different approach. We try to find product that will meet consumer demand and that is what Coles is after too."

Both brothers admit to a 'thrill' when a new line is released.

There is a definite pride when talking about Farm Foods' initiatives in Coles stores.

These initiatives include the biodegradable corn starch tray that is used in the Outback Spirit range; the commitment to change gourmet sausage flavours every four months, and the MAP packaging that seals the meat for a better quality, fresher product.

"Consumer expectations have changed, and continue to change. We are determined to read that change and keep ahead of it," says Nick.

## Food for the future: meeting consumer expectations

**Richard says Coles understand – and encourage – the Farm Foods' attitude to keeping a step ahead of consumer expectations.**

"The Coles commitment to Farm Foods has allowed us to flex in order to meet those changing consumer expectations," says Richard

"Coles are looking for quality product, good management, regular and sure supply.

"But they want partnerships with companies that are focused on delivering choice for the consumer," says Richard.

The brothers don't dispute that meat processing is a low margin business, but remain adamant that it's up to the supplier to make their business profitable.

"You don't get anything for free. We have seized the opportunity," says Nick.

"It's up to us to make sure we're as efficient as possible, and we're producing something that people want to buy."

"We love what we do. We love producing interesting, fun, healthy food.

"And the opportunities are endless – there is no such thing as the finish line."

### How the sausage is made

Key stats on farm foods:

100,000

The number of meals Farm Foods now produces weekly

60

The number of employees who will be based at Farm Foods' new processing facility

500%

The extra capacity provided by Farm Foods' new facility

100%

The year-on-year growth Farm Foods is experiencing, with much of this built on the 38 per cent of their product that ends up on Coles' shelves

## Q&A with Richard and Nick Kerr – Founders and Directors of Farm Foods

### What has made your relationship with Coles a success?

Nick: Good relationships are built on trust. It's not good – or sustainable in the long term – to do business with a supermarket that you don't trust.

We have a great understanding with our buyer Adrian Sparrow and the whole team. We keep the lines of communication open, we're flexible, Coles can rely on us, and ultimately we think about the end consumer.

### How are you trying to provide Coles with a point of difference?

Richard: Coles is keen to see its offering differ from its competitors and meet consumer demand. We've got a role to play in that – in fact it is our job as much as theirs.

We're always testing new ideas. We take new gourmet sausage flavours down to the mums at the local kinder and ask them to try them out, to tell us how much they'd be prepared to pay for them.

As suppliers we have to think about a price point to suit the customers and then work back from there. There is no point in investing in development of a new product if there is no margin in it.

We often take ideas for product and packaging to the team at Coles – and they are encouraged and considered.

We work with them to assess whether they'll work, how they can be delivered. We're part of the same team.

### How important is the Coles commitment to the development of your business?

Nick: Coles are an essential part of our business – we talk with them at least three times a week.

They're a fantastic retailer. The Coles quality assurance system is unrivalled and we're fortunate to work alongside them.

They're open to new ideas and initiatives that reflect the changing market – and that allows our business to grow and differentiate itself from competitors.

### Where will you go in the next five years, with the commitment of Coles?

Richard: We're only two months away from running out of room in the current location. During busy periods we're running almost 24 hours a day.

Plans over the next couple of months to introduce an additional eight lines to Coles' shelves will go some way to fulfilling the capacity of a new processing plant we currently have under construction.

The new plant will be home to our 60 employees but with new technology, its capacity is five times the volume of the current operation.





## Warrnambool Cheese and Butter

### New Australian dairy brand “a collaboration from the word go”

- Coles and Warrnambool Cheese and Butter join forces to create new brand
- New brand will result in the sourcing of an additional 50m litres of milk
- Coles provides capability and capacity to service the Australian market

### Coles and Warrnambool Cheese and Butter recently joined forces to create a new Australian dairy brand.

The new brand, Great Ocean Road, will be sold exclusively through Coles stores and will comprise a range of high quality cheeses and fresh milks.

### The start of a new strategic relationship that's good for both parties

Warrnambool Cheese and Butter Chief Executive Officer David Lord estimated the Great Ocean Road partnership with Coles would see the company source an additional 50 million litres of milk from dairy farmers each year for the five years of the contract.

“This is the start of a new strategic relationship which is good for Coles and good for Warrnambool Cheese and Butter,” says David.

“We’ve very much worked alongside Coles on this from the beginning,” says David.

“It’s been a collaboration right from the word go.”

The five-year deal represents a critical stage in building Warrnambool Cheese and Butter’s consumer-branded business.

“Great Ocean Road is a major step forward for us,” says David.

“What you need is the capability and capacity to be able to service the Australian market.

“We knew we had the technical knowhow, but how do you apply that into a framework that meets the requirements nationally – that includes logistics, back-office and packaging.”

David says that while the business of Warrnambool Cheese and Butter’s own brand has only been around for about six years, the company has been making cheese for 123 years.

During this time the company has built an outstanding reputation and the Great Ocean Road brand pays tribute to this long history within the region.

“Warrnambool Cheese and Butter has been based at Allansford on the Great Ocean Road for over 120 years,” says David.

“This new dairy brand brings that provincial story to customers, with a great-quality, great-value dairy range that will prove a great success with Coles’ customers.”

The Great Ocean Road brand will launch in Coles with Tasty, Extra Tasty, Vintage and Light 500g cheddar cheeses, and a Tasty and Light 500g Shredded cheese. It will also offer a full range of fresh milks, including full cream, light, skim and flavoured.

“The five-year agreement gives us some assurance around the success of the range and we hope it will expand,” says David.

The range will soon hit Coles stores across the country, with the milk range available in Coles stores across Victoria.

### Investment and jobs

For Warrnambool Cheese and Butter, the partnership with Coles with the Great Ocean Road brand requires additional production.

This means new investment and jobs for the region.

Currently Warrnambool Cheese and Butter employs close to 500 people, and behind the hospital and university is the biggest employer in the region.

“We’ve got a lot of people involved at the company by extension,” says David.

“If you take the leveraged employment of the industry – logistics, fertiliser, contractors and the like, it is the biggest employer in the region.

## Great Ocean Road: great dairy country

Western Victoria is one of the largest milk producing regions in Australia.

The region is spread from Geelong in the east to Ballarat in the north-east across to Horsham in the north-west and down to the coastal area of Portland.

The region consists of almost 1,500 dairy farms producing two billion litres of milk in 2010-11, or 23 per cent of the nation's production, which had an estimated farm gate value of \$687m in the same period.

The inherent advantages of the region include the dryland pasture base and a relatively reliable seasonal climate.

The Warrnambool Cheese and Butter Factory is one of the areas largest milk processors and was the first listed dairy company on the Australian Securities Exchange.

Situated on the Great Ocean Road at Allansford just out of Warrnambool, the company sources close to 900 million litres of milk annually and produces high quality cheese, milk powder, whey protein concentrate, butter, milk and cream for customers in domestic and export markets.

Warrnambool Cheese and Butter plays an important role in supporting communities within its supply regions.

Major support includes a recent donation of \$200,000 to the South West Healthcare Medical Equipment Appeal, with staff and suppliers adding their own contributions.

The company also donated \$50,000 to the Queensland Dairy Farmers Organisation to assist in flood recovery works.

Warrnambool Cheese and Butter also provides the Deakin University Faculty of Business and Law with a scholarship aimed at the highest performing Warrnambool campus student with an interest in the dairy industry.

The scholarship award of \$8,000 is teamed with an internship of 100 hours of work experience.





## Q&A with David Lord – CEO, Warrnambool Cheese and Butter

### Do you think the push towards promoting local produce by Coles will help the Great Ocean Road brand?

Definitely. That's a major driver for consumers. People want to know where their food comes from and their increasingly happy to support local.

That said, there's been much discussion around what local actually means. But one clear thing with local is that it is real food and natural ingredients – and consumers are now prepared to seek out and find that.

I think it has evolved a little bit. It started in a small way with organics and branched out into natural and now it's a recognition of which areas and regions are producing great products. I think that is very important.

People are concerned about the commoditisation and mass production of food, where it doesn't matter what region or who produced it. It's good to see consumers pushing back and saying it does matter where my food has come from and how it's produced. And I think Coles is very much ahead of the game in recognising this.

### Do you think the Great Ocean Road range will help enhance the south-west's reputation as one of the best dairy regions in Australia?

Yes. I think there's a good awareness from an industry point of view, but in the public's perception, I think the recognition is varied. Victoria is known as a dairy state, but the difference in regions is probably not as strong.

Top of mind is probably Gippsland and I'm not sure if that wasn't because the Gippsland Dairy brand started to get a bit of prominence, rather than a specific understanding that production occurs there.

If we're using that as a model – as a branded product – then the same recognition could possibly apply.

Bega is another good example. Bega is known as a place that produces cheese.

We source from the south-west, mostly along the coast. So for the Great Ocean Road range, we're based on the Great Ocean Road, the milk will come from farms on the Great Ocean Road in to our factory in Allansford – so all the cheese will be made effectively on the Great Ocean Road.

Across our dairy farms there is a consistency in the climate and the volcanic soils that give it a single-source, single-origin dimension.

### How does the Great Ocean Road range impact you in terms of volume – and how does that further impact the relationship with your dairy farming suppliers?

One of our strengths is the ability to be able to have available supply for one customer or another. This venture, however, has required new milk and new capacity.

We'll be seeking an additional 50 million litres of new milk and it sends a signal to suppliers that we are looking to grow – and if they want to grow themselves it does give them assuredness around that.

We are keen to speak with anyone that's producing good milk.

### What will set the Great Ocean Road range apart?

I think the consumer will be really surprised at how great the cheese tastes – I think that's one of the stunning components of this. It is a really nice, Moorish cheese that has a flavour profile that finishes really well – that's number one.

Number two is that purchasing a provincial cheese often comes with the expectation it will be expensive. Great Ocean Road is aimed at families, who I think will be pleasantly surprised with the price.

### While Warrnambool Cheese and Butter has been producing cheese for 123 years, but only retailing it for six, how important is the relationship with Coles?

The best thing to say on that is every day they see what performs well and what customers are buying, so that's where some of the collaboration comes in. They feed this information back into our sales team on a regular basis.

The other component is they are drawing on what is happening overseas in terms of trends – and much of this local trend is originating there – particularly in the US and the UK.

### How important is the Coles partnership in launching such a brand?

The best way to phrase it is when both parties have some 'skin in the game', that will help make it successful.

We both believe in the product and what it's offering. This makes it a lot easier as we're both on the same page. It's not one party trying to push a product onto the customer, and it's not the customer asking for something we can't produce – it's a true collaboration.

In terms of value and return, we're comfortable where that's at and Coles is comfortable where it's at. We haven't been public on margins, but I will say it's good for us and it's good for Coles.

### Cream of the crop

Warrnambool cheese and butter key facts:

**500**

The approximate number of people employed by Warrnambool Cheese and Butter, making in the third largest employer in the region.

**\$200,000**

The amount of money the company donated to the South West Healthcare Equipment Appeal last year.

**50,000,000**

The number of extra litres of milk to be sourced from Victoria's south west for the Great Ocean.





## Farm Pride

### Exceeding industry standards: Coles leading the way on free-range

- Coles qualifications for free range exceed industry standard
- Close partnership with Coles leads to significant investment
- Coles plays pivotal role in encouraging consumers to move from caged eggs

#### **In 2010, Coles announced its commitment to phase out Coles brand caged eggs by 2013.**

This move was applauded by community and animal welfare organisations such as the RSPCA.

It was also backed by a price cut where Coles 'took the hit on the margin'.

This cut saw the sales of Coles brand free-range eggs surge by more than 50 per cent.

Ian Savenake, National Sales & Marketing Manager for Farm Pride who supply Coles with free range eggs agrees that Coles were influential in the shift to free range.

"The drop in price on free range encouraged a lot of people to move from caged eggs," says Ian.

In fact the cut saw nearly 800,000 more Coles customers choose free-range eggs in the course of just one year.

"We're selling 20,000 dozen more eggs now," says Ian.

As a result, Farm pride has utilised its spare capacity and has recently invested in three new sheds at Bears Lagoon, north-west of Bendigo in Victoria, that meet Coles strict free range standard of 10,000 birds per hectare, far bettering the industry required standard of 20,000.

In addition, two of Farm Pride's farms in Greendale, New South Wales, exceed the standard even further with 5,000 birds per hectare.

Ian says the strong relationship with Coles made this an easy decision.

"The contract we have with Coles gives us the confidence to invest in the new standards," says Ian.

"With the way free range is growing, we'd be looking to add the new farm and stagger the sheds.

"But, if Coles were to say 'we want 100,000 dozen extra free range' then we would speed up that farm development."

The three new sheds at Bears Lagoon, built to Coles specifications, will double the capacity of that property.

"The property currently does 45,000 dozen eggs a week (2,340,000 dozen eggs a year)," says Ian.

"The extra three sheds we've built for Coles, once finished, will double that capacity."

And Ian is confident that demand will accommodate this extra capacity.

"98 per cent of Australians buy eggs," says Ian. "And those that do on average buy a dozen every ten days."

Ian says that during a price promotion (such as Coles' recent reduction on free range) sales can double quite quickly.

"The advantage of price reductions with eggs is that you can impact demand, but it doesn't have the big dip that follows in other categories, given the short shelf-life that means you can't pantry fill," says Ian.

On top of this, the Bears Lagoon investments have been in the fast growing free-range sector.

"Free range is continuing to grow," says Ian. "And we have a solid contract with Coles... and the longer the contract, the more security - and the more likely we are to invest in new infrastructure."

The move towards free-range eggs is part of Coles' broader campaign to source ethically produced foods, having earlier announced it will only offer customers fresh beef with no added hormones and pork produced without using sow stalls - all Australian of course.

## **Farm Pride a proudly Australian company**

**Farm Pride has been supplying Australian families with quality fresh eggs for 75 years.**

The company currently employs more than 230 employees through their grading and processing facilities in Victoria and New South Wales as well as their ten farms, including the property at Bears Lagoon.

In addition to meeting strict ethical standards, the company also has a strong community focus, with recent initiatives focussing on flood relief and the McGrath Foundation.

### **Flood Relief**

In February last year, Farm Pride released flood relief egg packs to raise money for flood victims across Australia.

Farm Pride donated 20 cents from every Flood Appeal pack sold to the Salvation Army Flood Appeal.

Farm Pride itself was not untouched by the floods.

Its free range farm at Bears Lagoon, north west of Bendigo, was inundated with water and a large number of birds were affected.

### **McGrath Foundation**

Farm Pride has donated almost \$130,000 to the McGrath Foundation from the sale of its pink egg range in Coles supermarkets.

The company donated 20 cents from every pack sold to the McGrath Foundation, helping fund McGrath Breast Care Nurses in communities right across Australia and educate young women to become breast aware.

Since its launch in 2009, the company has sold approximately 642,000 dozen eggs in the distinctive pink packaging.



## Q&A with Ian Savenake – National Sales & Marketing Manager for Farm Foods

### How would you describe your relationship with Coles?

The contract we have with Coles gives us the confidence to invest in the new standards.

We've taken Coles to another farm ten minutes down the road from the Bears Lagoon property. It's another greenfield site, where we're ready to push the button when Coles say they won't sell any more caged eggs. So we'll be able to do two sheds at a time instead of one.

With the way free range is growing, we'd be looking to add the new farm and stagger the sheds. But, if Coles were to say 'we want 100,000 dozen extra free range' then we would speed up that farm development.

### How do you view supplying both your own branded product and Coles brand eggs.

We view it as category growth.

When you've got an existing asset, you're trying to maximise your dollar return.

You obviously tray and sell as much branded product as you can, because it's higher value, higher profit.

But you also need to amortise overheads, so you need that volume going through as well.

### Has your relationship with Coles helped make you a better supplier?

In terms of the standards around free range, I'd have to say yes.

The current Australian Egg Corporation standards are at 20,000 birds a hectare and Coles initially came in and said 'we want 10,000'. If you're amortising costs, all of a sudden you need to find twice as much area.

If you were starting a new farm, that standard would be demanding.

But in terms of what Coles were wanting, Jackie (Jackie Healing, Quality Manager for Coles) has been out here a few times now and we've definitely worked on finding a standard that works for us as a business and still represents the highest standards in free range.

There were a few things we initially didn't agree on and said weren't viable, and after a bit of give and take we've settled on a solution that is a) feasible, and b) commercially possible.

We're doing a mock audit to the Coles standard with our farm in Tasmania, so we'll get a good idea exactly where this standard sits.

### Does supplying a major retailer like Coles give you the confidence to invest?

Definitely. No one will go out and build a 100,00 bird farm if they can't sell the eggs. You definitely need an agreement that the demand is there... that's what we have with Coles.

### How has your relationship with Coles improved as the volumes have increased?

Before we used to send three semi-trailers a day into Coles. But because they were ordering 20 boxes on one pallet, 15 on another and a full 45 on another, we were effectively sending a full semi of air.

Now they order full pallet lots which saves us a lot on trucking, fuel and other costs.

### How closely do you work with Coles on a day-to-day basis?

Quite closely. We've got access to their inventory information which helps us a lot.

We can see what stock they've got and what they're likely to order.

Also, during the development of their free range standard, we've worked very closely with Coles to make sure our existing farms are compliant and acceptable.

The Bears Lagoon property was a greenfield site and one of our biggest issue was coverage, so we've put up a number of man-made shelters and planted trees.

That said, when it's 40-odd degrees outside, the birds don't want to come out as the sheds are air-conditioned and there's food and water inside.

### Where do you see the business going in the next few years?

Egg consumption is growing, which is a good sign.

Much of this is growth in free range and I've no doubt it will overtake caged eggs in terms of volume in the very near future.

Coles has been very open in saying they don't want to sell a Coles brand caged egg.

### Looking back, how long has Farm Pride been supplying Coles?

Since day dot (the company is 75-years old this year).

For a long time Farm Pride was only doing Coles and McDonalds, but we've now moved into a lot of value-add markets and smaller retailers.

Coles is clearly still a major chunk of the business as we supply Coles brand free range eggs into every state of Australia except Queensland.

This volume certainly has benefits in terms of economies of scale.

### Cracking the numbers

**2,340,000**

The dozens of eggs the Bears Lagoon property produces a year.

**10,000**

The number of birds per hectare on Farm Pride's Bears Lagoon property.

**50%**

The surge in the sale of Coles brand free-range eggs after the price reduction. The reduction played an important role in encouraging consumers to move from caged eggs.

**4,680,000**

The dozens of eggs it will produce a year once the three sheds for Coles are complete.

**20,000**

The number of birds per hectare according to the industry standard.





## British Sausage Co.

### Local manufacturing the key to private label success

- Coles' bucks trend to produce sausage range with local producer
- 40-45 per cent of new processing plant dedicated to Coles'
- New plant has capacity to produce 200,000kg of product a week

**"The good thing about Coles is that they don't want to be everything," says Mick Ferrero, the founder and manager of British Sausages.**

"Other supermarkets have gone into manufacturing themselves, which is really hurting people like myself," adds Mick.

He says he's seen many examples of local manufacturers losing business through retailers taking it on in-house.

"But that's not what Coles do," says Mick.

Mick says his relationship with Coles is good, with the combination of private label and his own British Sausages branded product bought by Coles, accounting for between 40 and 45 per cent of his business.

So important is Coles' business that the company's new plant in Bibra Lake (currently being built and expected to operate within 12 months) will dedicate a commensurate amount of floor space to product destined for the supermarket.

"Our understanding is there's more work coming our way, so we're effectively building the new facility in two halves," says Mick.

"The floor space is approximately triple that of our current site in Osborne Park."

Currently, British Sausages produces, on average, 75,000kg of product a week, peaking at 120,000kg over the Christmas period.

"The new plant should be able to average 200,000kg," says Mick.

The company also has a processing plant in Sydney to help meet the demand for product on Australia's east coast.

It's certainly a long way from the company's humble origins 21 years ago.

### From back-yard butcher to major manufacturer

#### A brief history of The British Sausage Co.

**Mick Ferrero, a butcher by trade, came to Australia from the UK in 1991 and couldn't find a job.**

While looking for work, Mick would get complaints from other expats about the range of sausages in Australia.

"Twenty years ago they were pretty bad," says Mick.

"So I just started making some up and selling them to people individually."

Through word of mouth the business gradually grew to the point where Mick bought a little shop with painted out windows in the Perth suburb of Mt Lawley and started supplying local butchers.

"After a while I found a bigger premises in Rivervale and then started supplying Woolworths. Coles approached me soon after, but I didn't have the capacity, so we moved again and took on the Coles' business."

The British Sausage Co. continued to grow from there and began making products for retailers using their own brand.

"We tried several times to get that business for Coles in Western Australia," says Mick.

"When the new management came in a few years ago, they decided it made sense to produce that locally," says Mick.

"So they came and spoke with me and they decided we were the best producers to go with."

The relationship soon proved beneficial to both parties.

"In the past there had been a lot of out of stocks, or alternatively wastage, as there were long lead times for supply coming from Sydney," says Mick.

"Now that's been reduced considerably.

"We'll get an order into WA stores in a day... they've always got stock on their shelves."

However, supplying the supermarkets is not without its downsides.

In its early days, The British Sausage Co. was regular winners of their category in the Royal Perth Show.

"We just got too busy to enter," says Mick, adding that it's probably the fair thing to do, given they've grown well past being a retail butcher.

"It was good for us initially," says Mick. "We'd get a full page in the Sunday Times... it got us noticed."

Getting noticed is no longer an issue for Mick and The British Sausage Co., with the brand fast becoming a household name in Western Australia, and the private label range they produce for Coles quickly gaining a reputation for excellent quality.

Today the company employs between 50 and 60 people in Perth, depending on the time of year, and all their suppliers for the Osborne Park plant are based around Harvey and Margaret River.

## **How the British banger invaded Australia**

**Mick had made up his mind when he came to Australia that he'd have nothing to do with sausages.**

"They demand a man's soul," he says.

Before coming to Australia in 1991, Mick was finding the little island of Jersey was getting too busy. Mick had worked in a Torquay butchers, but didn't want to return permanently to the mainland.

"I thought about Australia and we eventually applied to migrate," says Mick.

"If we hadn't done it, I could see myself at 65 still sitting there, wondering what it would have been like."

Mick's dad lived in Australia and Mick made the family some sausages. Soon ex-pat friends tasted them and wanted supplies.

That summer, as the smell of sausages crept of weekend barbecue hotplates all over Perth, the whisper went out - "Get Mick to make you some of his Cumberland sausages."

Despite his initial reluctance, Mick began enthusiastically making the finest bangers his friends had ever tasted. When he took a sample to a local butcher the response was:

"I'll take all you can deliver."

Soon he was working 12-hour days six days a week to produce 300kg of sausages a week to satisfy demand, as well as un-smoked bacon and black pudding.

Now the business has grown to the point where Mick can cut back his hours, but still oversee an operation that is producing up to 120,000kg of product a week, including the popular Coles Finest range.





## Q&A with Mick Ferrero – Founder and manager of the British Sausage Co.

### How long have you been supplying Coles?

We've been supplying them with British-branded products for 15 years and we started with Coles' private label about 18 months ago.

Coles is important to us because of their national reach. Here in Western Australia, your growth is limited because of the population.

This is why we've also set up on the east coast, because of the greater population and density.

### How do you view having your own brand and the private label brand you produce sitting alongside each other on the supermarket shelf?

We see the private label product as ours as well and we're proud of what we're doing with that... although the heartstrings are with the British Sausage brand, it's just more sentimental for me.

However we do look at the Coles product as part of our range as well.

One of the things I was surprised about when we were discussing the range was the quality of ingredients that were to be put in.

Looking at home brand sausages in general before we got involved, I'd say they were 'cheap crap', but this is far from that. The spec of the meat going in is really, really good.

It's also a leaner sausage to what I would've expected and the quality control is right up there.

It's certainly helped our business on the quality side of it, ensuring that everything is of a high standard.

### Does the relationship with Coles help make you a better supplier?

Our current premises is quite old and when they first came and saw us, that was one of the things they were concerned about and we had to put in a lot of work to get certification.

But we got it and since then we've actually improved further on that standard... and now we're building a new plant.

Not only will this be of the highest quality, it will also double our capacity.

### Where do you see the growth for the British Sausage Co. primarily coming from?

I think there are a lot of opportunities for us to grow the business with Coles as we have a good relationship with the team.

Because we're not a 'juggernaut', I can make most of the decisions quickly.

With that way of doing business I can say we've got this idea of what we want to do, give me some volume and numbers. I can look at this and then decide to invest x amount in this and know what we're going to get out of it.

This ability to move quickly in the market is why Coles are building relationships with suppliers like us.

### What has the relationship been like with Coles in terms of getting more of your product?

I'm always working on new types of products. We look at it and go 'How is this going to go into Coles? Will they accept it nationally?'

If it doesn't we won't bring it in, because it is the volume that Coles can provide that makes it viable - we're talking hundreds and hundreds of stores.

If you have to purchase any equipment, this capacity and volume makes the payback a lot quicker.

It's also good that Coles understands they are not everything to everyone. They want to be a retailer, not a manufacturer.

We're more willing to work with Coles on something new because we know they're not going to turn around and start manufacturing it themselves.

### How has the market for sausages changed since you started the business?

When I came here in '91, it was basically BBQ sausages, thick or thin... maybe the odd lamb sausage.

We were the first branded product over here to produce something different - that British style of product.

Since then, the flavour profiles have gone nuts!

### What is the process behind developing a new product?

It's a long process, and it may not always be a product thing. Sometimes it's a packaging format.

Sometimes you come up with a product and think, 'How are we going to present that?'

For instance, if you present a 1kg pack that's landscape, you might only get one line of shelf space instead of two.

The amount of material in the package is now a big thing also.

### What are the some of the major issues facing your business?

The labour issue here in the west is really bad. The money in our industry isn't near that of mining.

Over on the east coast, charges such as payroll tax provide a big disincentive.

We're putting a couple of new lines in that would usually replace the need for labour. But due to the significant increase in volume, this won't happen - the increase in volume means we can keep them on.

#### Sausage links

British Sausage Co. by the numbers

**300kg**

Amount of sausages Mick produced in the early 1990s, working 12-hour days, six days a week.

**200,000kg**

The amount of product the new plant will be able to produce each week.

**40-45**

The percentage of business dedicated to Coles.





# Harvey Fresh

## A better deal for Western Australian dairy farming families

Harvey Fresh is located 140 kilometres south of Perth – in between Pinjarra and Bunbury – in the farming town of Harvey, Western Australia.

In 1986 the family owned business “Harvey Fresh” was first established, located on 100 hectares of land in the farming community.

Today it is Western Australia’s leading fruit and dairy producer – and a household name in Western Australia.

Harvey Fresh is proudly Western Australian and is pleased to be the only major fruit juice and dairy facility in the State that has no foreign investment.

## Growing with Coles

In July, Harvey Fresh announced it had secured a contract from Coles to supply Coles private label milk to all its supermarkets and Coles Express stores throughout Western Australia.

Harvey Fresh Marketing and Sales Director Kevin Sorgiovanni says the contract elevated Harvey Fresh to become the largest supplier of fresh milk to Western Australian customers.

“This contract was an endorsement of the quality of our milk and the 71 Western Australian farming families who supply milk to Harvey Fresh,” says Kevin.

Coles’ decision to award Harvey Fresh its private label supply contract is also a recognition of the company’s track record of innovation and provides the company with the confidence to grow even further.

“The Coles’ contract provides us with volume and certainty,” says Kevin. “Not only for Harvey Fresh, but also for our dairy farmers who supply us.”

Such certainty provides Harvey Fresh with the confidence to invest and provides a platform to pursue new market opportunities.

“We’ve recently invested in the expansion of our processing facility and have adopted new technology at our Harvey site,” says Kevin.

“This guarantees quality and consistency of product – and reduces our processing costs.”

## A boon at the farmgate for local dairy farmers

The three-year supply contract for Coles private label milk started in October and utilises a good portion of the nearly 125 million litres of milk supplied by Harvey Fresh’s South West farmers each year.

However, the benefits of the contract extend well beyond milk supply.

The recent receipt of Coles’ private label supply contract has enabled Harvey Fresh to implement a single milk pricing structure for its dairy farmer suppliers.

This arrangement provides farm-gate price increases to farmers who had previously supplied the failed Challenge Dairy Co-operative.

“The Coles’ private label contract is a very important one as it gives our business stability and provides a constant flow of milk to the customer,” says Kevin.

“From the dairy farmer’s perspective, it gives them the opportunity to grow their business by increasing milk volumes.

“They have the assurance of an end user, rather than just hope.

“It is an excellent opportunity to grow milk volume in Western Australia.”

Kevin says Harvey Fresh has always enjoyed a good relationship with their dairy farmer suppliers.

“We’re dairy farmers ourselves and we work very closely with our suppliers,” says Kevin.

“Like them, we care about the sustainability of the dairy farming industry in Western Australia.”

Kevin says this relationship, along with the company’s history of working closely with their suppliers, ensures that everyone’s interests are well represented.

"We want to ensure that the sustainability of their business coincides with the sustainability of the

Harvey Fresh business," says Kevin.

"We always try and provide our farmers with the highest farm-gate price possible, but they understand we both have to co-exist.

"They understand that if we pay too much, the product becomes too expensive and we lose customers.

Alternatively, if we don't pay them enough, they go out of business and we lose supply."

## A more sustainable industry

Coles merchandise director, John Durkan said he believed the new Coles' Western Australian private label milk contracts would build a more sustainable dairy industry.

"This re-distribution of our dairy business in Western Australia means that more local processors and dairy farmers will benefit from partnerships with Coles," says John.

"We believe that these contracts will build long-term sustainable relationships with dairy processors and farmers in Western Australia."

These sentiments were echoed earlier this year by WA Farmers Federation president Mike Norton who told Perth media at the time of the announcement that there was a lot that local farmers could learn in terms of companies maintaining close relationships with their suppliers.

### Milking the numbers

Some key Harvey Fresh statistics:

71

The number of local dairy farming families supplying milk to Harvey Fresh.

115,000,000

The number of litres of milk supplied by these farmers each year.

25

The number of years the family-owned business has been running.

## Q&A with Harvey Fresh Marketing and Sales Director Kevin Sorgiovanni

### What does the Coles' private label contract mean for Western Australian dairy farmers?

It is a very important contract in that it gives our business stability in providing a constant flow of milk to a customer.

From a farmer's perspective, this gives them the opportunity to grow their business by increasing milk volumes.

They now have the assurance of an end-user, rather than simply relying on hope.

We're farmers ourselves and we understand the industry's concern about sustainability.

This arrangement has allowed us to provide farm-gate price increases to farmers who had previously supplied the failed Challenge Dairy Co-operative.

We work very closely with our dairy farmer suppliers and have not heard one adverse comment from them about the Coles' private label contract.

### How is Coles helping Harvey Fresh in its commitment to produce milk of the highest quality?

A good part of that comes automatically as Coles set a high quality standard.

We are fortunate that we are already AQIS accredited which gives us a good head start in that we have a facility that fits such a demand for high quality.

The Coles' private label milk contract takes this commitment to quality one step further.

### How important is Coles' commitment in growing and developing the Harvey Fresh business?

It is very important.

The stability and assurance of the contract gives us the confidence to plan for growth and further develop the business.

We have plans to further invest in the business, namely in looking at other sizes, formats and packaging to broaden our range.

We are also looking to invest further to attract a bigger export market. This in turn will flow back to our domestic market.

While we don't have the numbers the eastern states do (165 dairy farmers compared to more than 2,000), our geographical advantages, being in close proximity to South-East Asia, does provide some opportunities in the fresh milk sector.

### Where do you see Harvey Fresh going in the next five years, and what role will Coles play?

We want to broaden our offer to Coles, and the private label milk contract was a very significant first step.

In fact we've already achieved another important step, having just secured the contract to provide custard to Coles' stores throughout Australia.

We're certainly looking to invest in opportunities to supply Coles locally with fruit juice (Harvey Fresh is Western Australia's only fruit crushing facility), as well as opportunities to provide extended shelf-life milk.









