

Fontterra to boost its Te Rapa butter lines output

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FONTERRA has made plant and capacity improvements on both sides of the Tasman Sea to capitalise on the rising demand for butter that has doubled its globally traded price in the past year.

At its flagship Te Rapa site in Waikato Fontterra would spend nearly \$20 million to expand its mini-dish butter packaging and cream cheese manufacture, to meet demand from China.

At Cobden in Victoria it had just completed a \$6m expansion to increase output of Western Star butter, the domestic brand leader.

A taste trend towards butter was evidenced by the increase of the country's imports from 17,000 tonnes in 2009 to 63,000 tonnes in 2016, representing an annual growth of about 20%.

"Recently we've seen the demand, particularly out of China, exceed supply," global operations chief officer Robert Spurway said.



HOT: Fontterra has found the demand for butter has exceeded supply, chief global operations officer Robert Spurway says.

"Much of the demand for products like the mini-dish

butter is from hotels, restaurants and commercial kitchens in China – all out-of-home eating experiences where consumers are

choosing dairy to complement their meal.

"Where, in the past, many of these markets have trended towards non-dairy creams and spreads we are now seeing a real desire for natural dairy in both food preparation and at the table.

"While the food service aspects are important, it is the latter that is really exciting – consumers making their own choices to incorporate more dairy into their daily diets.

"So this expansion is all about responding to the market, investing in building capacity and delivering on our value-add strategy by converting more milk into higher-returning products," Spurway said.

Te Rapa would go from six cream product lines to eight, incorporating state-of-the-art technology to achieve highest possible output.

The new butter line would more than double production from 250m to 650m mini-dishes a year.

As one of Fontterra's top five manufacturing sites Te Rapa employed about 500 staff and produced 80,000 tonnes of cream products a year.

In Australia the 90-year old Western Star had grown to a \$150m brand as consumers shifted away from margarine in favour of butter and spreads, preferring to eat more natural foods and use butter in their cooking.

Cobden site manager Bruce Manson said more than 38m packs a year or more than one pack every second of Western Star were sold.

A bigger cool room was necessary at Cobden to ensure Fontterra could keep up with demand.

"The cool room features the latest technology, including automatic guided vehicles to pick

“ This expansion is all about responding to the market. ”

Robert Spurway
Fontterra

and pack the pallets away in the cool room, reducing handling, which increases efficiency and creates a safer workplace."

Western Star was judged champion butter for the second consecutive year at the Dairy Industry Association of Australia awards.

Meanwhile, Fontterra said it would sell its Hamilton office building and lease it back from the new owner without any disruption to staff.

Group procurement director Gordon Retkowitz said capital raised from the sale would be put to better use.

IN DEMAND: Fontterra is more than doubling production of mini-dishes of butter from 250 million to 650m a year at Te Rapa.



"Owning high-tech

manufacturing plants so we can make the products our customers want when they want them is part of our core business. Owning commercial office spaces is not."

Fontterra and its predecessor New Zealand Dairy Group had owned and occupied the London St building since the late 1960s.

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