



## Big decisions facing Dairygold

At Dairygold's AGM next week, new chief executive Jerry Henchy has his first opportunity to outline to the supplier shareholders, face to face, his plans for the co-op in the future.

It's a crucial period for Dairygold and an even more crucial time for Jerry Henchy. Last years results were not pretty. Some of this was down to the difficult year in dairy markets, but it also exposed some of the issues that Dairygold will have to tackle going forward.

He has already indicated that the loss making Irish dairy processing operations will have to be restructured. They lost money last year and are projected to lose money this year.

The co-op's annual report shows that milk manufacturing is currently taking place at four sites in Ireland, by 1,399 people.

The key challenge facing the co-op is to come up with a more efficient plant configuration involving substantially fewer people. The shape of this will depend on the products to be made in future. Achieving this will not be easy, and it will involve substantial cost and investment. But do management have a choice if the co-op is to retain its position as one of the key processors of milk for Irish farmers.

That kind of rationalisation would be in line with the direction outlined in the Prospectus report, which has taken into account the external factors that will impact on milk proces-

sing in Ireland in the years ahead.

The co-op has a strong brand portfolio in cheese, and in chilled consumer dairy products. The plan for the co-op going forward will undoubtedly aim to build on this strength.

In red meat, it's no secret that Dairygold are looking at the future for the Charleville and Kilbeggan facilities. It will also be interesting to see what the co-op do in their pig processing operations. The Galtee brand is strong as is the Kerry owned Denny brand.

But a number of years ago Kerry decided to get out of the business of pig slaughtering and source the product for their added value business from other slaughterers. Would Dairygold follow a similar route and exit the pig slaughtering business? Only time will tell.

Last year, Glanbia sold their Roscrea brand to Dairygold to concentrate completely on slaughtering pigs efficiently. Glanbia are now expanding their factories at Roscrea and Edenderry. It could make sense to use this opportunity to bring further rationalisation in the sector.

And what about Dairygold's UK operations? Last year they set up a 50:50 joint venture with First Milk in the Aeron Valley cheese operation in Wales. This followed the closure of Horlicks Dairies which was bought in 1994 and had been losing money. Dairygold's future in this JV is also likely to be up for review.