



# Five-year development plan for Dairygold

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A STRATEGIC five-year development plan is being prepared for Dairygold, the food processing co-op whose operating profits plunged by 80% last year.

In a wide-ranging interview yesterday, new chief executive Jerry Henchy said the plan would be ready by next March.

Mr Henchy said Dairygold was "obviously running a business model that is not sustainable. It has become obvious when markets are low, but we have to assume going into the future that there is not going to be bounce-back, or if there is, it is going to be short-lived. We are going into more difficult times with less European supports".

"What I would say to our farmers is to bear with us and support the organisation as it makes difficult decisions. We have often had controversy in Dairygold in the past as we tried to make changes.

"It is a very democratic process within a co-operative society. That is a healthy thing, but I think the organisation is going to have to accept that incre-



**Jerry Henchy: bear with us.**

mental changes are not going to help going forward in the three key issues for milk processing — what we make, where we make it and how we sell it."

Mr Henchy said Dairygold's pig meat business owns what is arguably the best brand in the country, Galtee. It is making money but not as much as it should from a brand as strong as Galtee.

On the red meat side, the co-op is a relatively small player with a 4% share of the Irish cattle slaughter market. "Taking into account what it is worth in our balance sheet and what we see for the future, we have to shape a strategy for the red meat business but right now it is not very

clear. There is a lot of speculation, but nothing has been done yet. Everything is being looked at. All options are being examined."

Asked if he was planning an ingredients product strategy for Dairygold, he said the co-op processes about 200 million gallons of milk.

"If you have a business model that is bleeding today, the first thing you do is quickly bring that back to a business model that is working for your commodities. So value add comes after we have commodities working properly. I agree with the concept of value-add and I agree with the ingredients

philosophy, but first you have to get the what I call the licence to do that and you have got to get your own costs internally under control," he said. Mr Henchy said the 2002 re-

sults are an accurate reflection of three forces coming together at the one time — weak markets, weakening currency and changes in European supports.

"We came into 2002 with high stocks and those stocks suffered on the dairy side from three elements — currency and markets going against them and European supports not coming up.

"Year on year the problem was a major drop in return per metric tonne of finished product and our costs stayed in line. We had the same number of factories, the same number of employees and managers."

Mr Henchy said the Prospectus Report on the structure of the dairy industry highlighted some serious questions in terms of the effects of fragmentation on cost.

He said Dairygold will have an open-door policy when it is involved in its restructuring, but it has a responsibility to fix its own house. It has the power to do that and should go away and do it. Dairygold still has a healthy balance sheet. It is processing milk in a part of Europe that is most cost effective. But it needs to increase its earning and operating profit.

## 2002 results

**2002 Turnover —**  
€989.1m. (2001 —  
€963.9m)

**Operating profit —**  
€4.8m (€25.2m).

**Pre-tax profit —**  
€2.7m (€13.2m).