

Dairygold delivers strong results for 2010

Increased turnover and profits underpinned by strong performances across all divisions

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Dairygold Co-operative Society has reported a substantial increase in profits and turnover for the 2010 financial year. Operating profit on the Society's core activities was €18.9 million, up from €11.8 million in 2009 while turnover increased to €693.6 million, up €138.4 million on the previous year.

Profits were further boosted by share trading activities undertaken by the Co-op to part finance the planned acquisition of a range of properties from Reox Holdings plc. This share trading activity generated additional income of €7.3 million bringing the overall operating profit figure recorded in the accounts to €26.2 million.

Speaking about the results, Dairygold Chief Executive Jim Woulfe said; "The increase in profits and turnover was generated across all of our main business activities. The performance in our dairy operations reflects the improved efficiency of our plant, the continued optimisation of our product and customer portfolios, combined with strong returns from international dairy markets which triggered an increase in on-farm milk production and drove dairy sales volumes."

"Our Agri Operations benefited from the increased demand for farm inputs to support higher milk production on-farm as well as our success in boosting our share of the feed and fertiliser market, while our retail sales grew, following the first full year's operation of the seven stores acquired from Reox Holdings plc in late 2009."

"The 2010 performance is all the more noteworthy in the context of increases in our raw material costs. Dairygold paid a market leading milk price throughout the year reflecting the uplift in returns from international dairy markets."

The Co-op's dairy processing operations, Dairygold Food Ingredients, continued its focus on two core areas Cheese Solutions and Dairy Ingredients, especially the infant milk sector. During 2010, Danone's decision to retain Dairygold as a key raw material supplier to its expanded Infant Milk Formula facility in Macroom was a positive development for the business. The Danone plant is expected to treble its production capacity to 100,000 tonnes annually with a consequent increase in raw material requirements. Dairygold Food Ingredients is also active in China where in 2010 it became the largest supplier of 90% Demineralised Whey, a key ingredient in the production of Infant Milk Formula.

Dairygold's Agri Operations also performed well during the year with the 2010 harvest one of the best on record in terms of quality and volumes. Grain prices were substantially up and Dairygold paid one of the leading prices for grain. The continued focus of the business is on constantly driving down cost, optimising our product portfolio to enhance returns and maximising performance in the highly competitive commodity market. One measure, which has been particularly successful, is Agri Direct where we have cut supply chain costs by organising bulk delivery of fertiliser direct to farm. 2010 saw the successful integration into the Co-Op Superstores group of the seven stores acquired from Reox Holdings in late 2009. This helped the Co-op's retail operations deliver a solid performance in what was a highly challenging retail market environment.

The year also saw Dairygold take steps to secure its financial interest in Reox Holdings. Dairygold entered into an agreement to acquire seventeen separate properties considered strategically important to the Dairygold business, including the Mallow North and Mallow South sites as well as properties associated with a number of retail stores. The transaction will reduce the outstanding Reox liability to Dairygold to €19 million to be repaid over a number of years. According to Mr Woulfe, "The transaction will strengthen the Society's balance sheet considerably and ensure that we are prepared to take advantage of future opportunities which may arise from the acquired properties."

Looking to the future, Mr Woulfe said that Dairygold's focus is now on the management of the increased milk production expected when milk quotas are removed in 2015. "While we acknowledge that we will have to implement some additional processing options post 2015 but we are satisfied that we have the capacity to process our milk pool up to 2015. Before making any investment in capacity we first need to determine the best options in terms of what products should be produced with the extra milk volumes and how that processing is most efficiently achieved. In this light, we will conduct a detailed feasibility study during the course of 2011 in relation to our post quota milk processing requirements."

Chairman, Mr Vincent Buckley added;

"The Dairygold business has a strong Balance sheet. We paid strong milk and grain prices while meeting our financial commitments and we will continue to deliver leading milk and grain prices to our Members while recognising the future challenges and preparing for the opportunities that the post-quota environment will bring to the business. We have a committed and dynamic team that is pursuing every channel to add value to milk and to grow the business in a sustainable and profitable manner, in particular following the removal of milk quotas in 2015".

Ends.