

INSIDE BUSINESS

First Person: Milk factory revival

Broadcast: 04/12/2011

[Print](#)

|

[Send As Email](#)

REBECCA NASH, REPORTER: It's well known the Australian dairy industry is a pretty tough business to be in, which is one of the reasons why the processing side is dominated by large multinationals.

But one small Victorian company has shown there's still plenty of opportunities to be milked in dairy, and that bigger isn't necessarily better.

(Milk bottles turn on a machine to be filled)

RAKESH AGGARWAL, MANAGING DIRECTOR, LONGWARRY FOOD PARK: I often wonder what made me buy the factory. It was a big investment for me. It was a lot more than what I owned at the time but I did have the confidence that we could get this factory up and running, and get it to work efficiently and economically as a viable business.

REBECCA NASH: When Rakesh Aggarwal bought this milk powder factory in 2001, it'd been mothballed for four years. The previous owners, a large dairy processor, had deemed the plant uneconomical. But having worked there as a contract engineer, Mr Aggarwal could only see potential.

RAKESH AGGARWAL: The technology was quite familiar to me and I've always been innovative in engineering. In big companies people are quite risk-averse while in my own business I can afford to take the risk knowing very well that this can fail, and mitigate that risk in the best possible manner.

REBECCA NASH: The leap of faith has paid off, with the business recently named Victorian exporter of the year.

RAKESH AGGARWAL: The first year we barely turned over a million dollars. But now ten years later we turned over \$83 million in last financial year.

Just in the last 12 to 15 months, we have grown more than 70 per cent in our turnover.

REBECCA NASH: A key contributor to the success has been reining in costs. The factory's capacity has more than doubled, and water and energy usage has been slashed.

It's allowed a comparatively small factory to mix it with the capital-rich multinationals, both here and overseas.

RAKESH AGGARWAL: I would believe that our cost of production, including overheads, would be lower than these companies because we can afford to pay a better milk price for the milk that we buy.

This is the only thing we have in our control, is to make our plant as efficient as we can. We know from where

the world is today that the energy costs will keep rising.

REBECCA NASH: Longwarry Food Park produces a small amount of fresh milk for the local market but its main focus is full cream milk powders.

RAKESH AGGARWAL: We export about 90 per cent of product now to overseas countries. Because Asia is close to Australia and the freight cost is very competitive, 70 per cent of production is going to Asia.

The people in Asia are getting wealthier. People are tending to eat more dairy products and that creates a demand for dairy in Asian countries.

REBECCA NASH: Food security and scarcity are also behind the company's export success.

RAKESH AGGARWAL: Australia, being one of the countries that's deemed clean and green is preferred by most of the customers in Asia and the Middle East. A lot of countries in Asia - especially Japan and Korea - have a declining milk supply of their own while the consumptions are not declining, or in fact it's rising.

REBECCA NASH: Even so, the dairy industry can be cruelly volatile.

RAKESH AGGARWAL: During GFC the prices went down from \$5,000 per tonne to \$1,800 per tonne and the volatility hasn't stopped since then.

REBECCA NASH: But for now, the momentum has swung the producers' way.

RAKESH AGGARWAL: This has been the best season yet for farmers and the factory. The production has gone up year on year basis quite a bit, and we still have farmers wanting to join us even now when we're in the middle of the season.

REBECCA NASH: As an exporter, Rakesh Aggarwal is philosophical about the strong Australian dollar.

RAKESH AGGARWAL: The customers buy product in US dollars and the cost of the dollar has to be borne by Australian farmers and Australian companies. That's something that we have no control on. The only thing that we can do is have a conservative hedging policy and not speculate on currency.

REBECCA NASH: But like many other manufacturers, he doesn't relish the prospect of the carbon tax.

RAKESH AGGARWAL: The biggest costs that we have in our business are still the transportation and energy costs. Any tax on energy will increase the cost of production for us.

REBECCA NASH: The price on carbon hasn't dented Mr Aggarwal's optimism about the future.

RAKESH AGGARWAL: We currently employ 51 people and in three years time I believe that we'll employ 100 people on site. We have quite aggressive plans going forward in the business. We plan to increase our turnover threefold in the next three years.

Last Week's Stories

- [This week on Inside Business](#)
- [Market news wrap](#)
- [Talking Point: Year in review](#)

- [First Person: Milk factory revival](#)
- [Market 'confusion' makes for cautious 2012](#)
- [Rio to adapt to 'high volatility' in market](#)

Business and Finance News

- [Torres Strait air service decision looms](#)
- [Farm group seeks clearer drought aid transition](#)
- [Houseboat strategy worries council](#)
- [Early childhood ABC centres targeted for closure: LHMU](#)
- [Public urged to do energy retailer homework](#)



© 2011 ABC | [Privacy Policy](#)



© 2011 ABC