



Article from:

Longwarry focused on future

Fiona Sheean

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A TRIPLE whammy has hit Longwarry Food Park in Victoria this year with unprecedented dairy market volatility, drought and bushfires.

Yet, in a dogged display of resilience, the Gippsland dairy company remains focused on its long-term goals.

AT A GLANCE

- What: [Longwarry Food Park](#)
- Why: short-term caution
- Where: Longwarry, Victoria
- Report: FIONA SHEEAN

LFP managing director Rakesh Aggarwal said while the short-term outlook may be gloomy, the longer-term prospects for the dairy industry were encouraging.

He said the dairy industry was in a better position than most to ride the downturn.

"In difficult economic conditions, food consumption tends to be less affected than other consumer products," Mr Aggarwal said.

He admits the dairy market has been "very challenging" in recent years.

The price of skim milk powder, for example, jumped sharply in 2007-08, from \$US2000 a metric tonne to \$US5000, and within six months fell again to below \$US2000.

"Such rapid market movement has seen the whole culture change in customer buying habits," Mr Aggarwal said.

"The instability has meant customers have become much more cautious of their decisions and subsequently the trade has become much more complex and difficult."

He was cautious about the short-term outlook.

"Although the market is showing signs of stabilising the key variables can still change quickly so there needs to be some caution in trying to forecast the milk prices into next season," he said.

"Based on today's market levels and exchange rate, we expect that the milk price for the next season will be more in line with historical averages of around 30 cent/litre."

One short-term effect has been higher-than-normal industry stock holding.

Mr Aggarwal said this situation was now clearing.

"The market is now showing signs of stabilising and prices are at levels where demand has historically proven to be sustainable," he said.

"Demand and supply should come back into a better balance."

LFP's milk price has remained competitive, although it was necessary to review prices during 2008-09 in line with other companies in response to the market fall.

Mr Aggarwal said business confidence had not dwindled and LFP was one of the few companies not to have reduced its workforce.

In fact, it intended to increase production capacity within the next three months and then double it in the next 18 months, which will increase its product and specification capability.

"Expansion will generate wealth and employment for regional Victoria," he said.

Mr Aggarwal said the expansion strategy had support from LFP's banks, which were funding the project.

"We consider it important not to confuse short-term market volatility with longer-term business objectives," he said.

"Gippsland is a very sustainable dairy region and we feel comfortable to invest in the future of dairy here."

LFP was founded in 2001 when the Longwarry factory was bought from Bonlac Foods.

Since then it has undergone significant upgrades and the plant was fully re-commissioned for milk processing in early 2005.

The plant has been continuously upgraded to reduce energy use by 30 per cent and reduce greenhouse emissions.

LFP has been recognised for its achievements with the [Australian Greenhouse Office](#) award for environment and energy management and the [SP AusNet](#) Business award for sustainability.

Mr Aggarwal said efforts to save water and energy were continuing.

The company produces liquid products such as ultrafiltered, fortified milk for cheese factories and concentrated milk for yoghurt manufacturing. It also produces concentrates, full cream milk powder and butter.

Milk supply slumped by 30 per cent this year due to bushfires in the Labertouche and Jindivick areas.

Some farms suffered major damage, including the loss of pasture, hay and silage.

LFP has its own bushfire relief fund and the money is being used to buy hay for the worst-affected suppliers.

The company has also brought productivity incentive payments and is helping suppliers gain access to other assistance programs.

"Assuming seasonally things go OK, we would hope that most will be back to normal operations by the spring," Mr Aggarwal said.

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Cream ahoy: Rakesh Aggarwal says the longer-term prospects for dairying are encouraging.

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