



Dairygold le chéile

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The Official Newsletter of Dairygold Food Ingredients

Welcome to the first edition of Dairygold le chéile which translated from the Irish means 'One Dairygold'. Our objective in this first and future publications is to inform our customers of the activity throughout our organization, with particular emphasis on market and product development.



Dairygold Food ingredients is an extremely diverse and far reaching organization and we aim to capture and communicate this scale to our customer base in order that you are fully conversant with our capabilities and market insight in providing you with targeted dairy based solutions for your specific needs.

You may have noticed our new divisional logo which will now appear on all communication and product packaging on a phased basis. Sitting below the divisional identity we have now created four specific business units, each aimed at providing focus in areas where we believe DFI can offer a distinct point of difference and add value.

These business units are: 1. Cheese Solutions, 2. Infant Nutrition, 3. Dairy Essentials and 4. Consumer Foods. We have specific product portfolios suitable for each division and colleagues dedicated to providing application insight and specific product knowledge. I hope you enjoy reading this first edition and any comments or feedback would be most welcome.

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BUSINESS UPDATE

Innovation Insight

Consumer health was top of the agenda for DFI's Innovation team in April as they presented a new range of cheeses to the UK Food Standards Agency (FSA), designed to balance the consumers' need for flavour and texture with the requirement to reduce fat and salt contents. John Ellis explained that while traditional cheese technology limits what can be achieved in terms of fat and especially salt reduction, DFI is unique in its ability to combine the multiple cheese technologies across the group to go beyond the FSA targets for salt and fat while still retaining flavour and functionality.

To prove his point John served up a fantastic tasting range of dishes including pizza, sandwiches, exotic salads, sauces and quiche incorporating the low fat, low salt cheese solutions. The demonstration was well received by our guests from the FSA and we look forward to these new products providing us all with tasty healthy options in our supermarket shelves.

For further details on this fantastic range see July's edition of DFI's Innovation Update or contact Aidan Fitzsimons, Director of Innovation, at afitzsimons@dairygold.ie.



FARM NEWS

Dairygold Milk Quality Awards

The 2009 Dairygold milk quality awards took place on 28th April. Eighteen milk suppliers were selected as finalists and praised for excellent quality and performance throughout the year, with Michael and Kevin Downing's farm in Whitechurch, Co. Cork declared overall winner.

Speaking about the awards Dairygold CEO, Jim Woulfe commented that 'as a dairy processor, Dairygold is constantly emphasizing the importance of milk quality and to me what better way to reinforce the message than by recognizing and rewarding best practice across our supplier base'.

He emphasized the increasing importance of milk quality to secure better farm income as well as the Dairygold business in which milk quality and traceability are key priorities to ensure that Dairygold's products meet the high standards of our customers.



Disease Testing Laboratory

The Dairygold board has approved the establishment of a dairy herd disease testing laboratory, adjacent to the existing milk payment testing laboratory in Mallow Co. Cork. This is a new venture for Dairygold and plans are in place to be up and running before the end of 2010.

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France

Dairygold Food Ingredients France SAS has been progressing in a tough environment since the acquisition in September 2009. The first objective of Dairygold was to win new customers for our existing range of processed cheese and cheese powders and develop new products in order to grow the business and fill some of the spare capacity in the new factory. To achieve this, a new Commercial and R&D team was put in place with Régis Savarieau, Delphine Chevallier, Vincent Skowera and Paul Brady joining Damien and Gérard Delanoue who were with the previous business. This team, based in France, also gets strong support by the Dairygold Group Commercial and R&D team.

Year to date volumes for both the Processed Cheese and the Cheese Powder businesses are up significantly on 2009 with new customers in France, Spain, Italy, UK and Korea. With many projects in the pipeline, the business is set to continue growing to bolster Dairygold's position in Mainland Europe.

A big emphasis on Quality Systems is also a key part of Dairygold's plan for its first year of ownership as well as some key investments to bring product packaging to world class standards.

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Ireland

Dairygold Food Ingredients produces over 120,000 tonnes of a variety of dairy products on an annual basis supplied by our own dedicated milk pool of 860 Million litres. DFI Ireland trades approx half of this product with the Irish Dairy Board in Dublin for export on to the

EU and world commodity markets as well as to some key strategic branded markets such as Germany (Kerrygold lactic Butter), UK (Pilgims Choice cheddar) and Greece (Kerrygold Regato cheese) to name but a few.

The second key feature of the DFI Ireland ingredient business is our focus on the highly developed indigenous Infant Milk formula (IMF) sector that has grown here in Ireland over the past 20 years. 3 of the world's top Multinational IMF companies are based here in Ireland and DFI Ireland has an excellent track-record in the supply of the highest quality ingredients to both the Danone and Pfizer IMF plants. Indeed, we have invested over €20million in our whey processing line at the Castlefarm site in Mitchelstown which is totally dedicated to the supply of the IMF sector here in Ireland, the EU and in the Far East (countries such as China & South Korea).



The second Quarter of 2010 has seen a significant uplift in dairy product prices with butter, whole milk powder and casein all performing particularly well. Demand both in Europe and on the World market has been quite strong and the recent appreciation of the \$US has meant that EU exports have been competitive in some key International markets. However, the market is quite delicately balanced and the announcement last week that Brussels was to release more Intervention butter and SMP onto the EU market could well dampen price expectations for Q3. Weather conditions in key milk producing regions around the world could still have a significant impact on the market-price for dairy products going forward.

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Germany

Dairygold Germany is a 100% daughter company of Dairygold Food Ingredients Ltd Ireland. Located in Mainz since 1996 this business unit focuses on the strategic directions of Cheese Solutions and Speciality Cheese.

Segments served include industrial bakery, ready meals and catering groups. Dairygold Germany is an important supplier of Irish manufactured cheese to the German retail sector. These products – including cheddars and other semi-hard slicing cheeses – are marketed under the Irish Land® brand not only in Germany but also throughout Austria and Poland.

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Spain

The Spanish office is located in Barcelona servicing the Spanish, Italian and North African markets.

Over the last 3 years Dairygold Food Ingredients have increased our presence within the Spanish food ingredients sector with specific emphasis on cheese solutions and dairy ingredients. With a growing portfolio of products and increasing customer interest DFI committed further resource in the coming months to effectively capture all market opportunities.

We have a strong footprint in the dairy essentials range in the region and we are now working to evolve and increase our business in the cheese solutions area. We realize that new solutions have to be developed for the specific local needs and preferred tastes, so we also link between the market needs and the R&D team. Last but not least, from Dairygold offices in Barcelona we also work to promote the Irish cheese specialties that have been traditionally recognized for their excellent quality.

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United Kingdom

Dairygold Food Ingredients UK continues to offer our customers an advantage even in today's very difficult market place. The £2m recently invested across both UK sites and the new colleagues that have joined the UK commercial team over the last 6 months now gives us a unique opportunity within the UK ingredients and Foodservice sectors.

The growth seen over the last 5 years has been an impressive 55% and although it will be difficult to continue this growth rate we have a lot of plans in place for the future. A very big part of our growth will be delivering our Foodservice plan and grow our Foodservice product offering. All the trading sectors within the Foodservice market will be targeted and we will leave no stone unturned in the process. Delivered new business already this year is £1.3m with a further £12m already identified for the remainder of 2010.

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