

Turning milk into money

Starting with the high-end consumer, and working back to the cow, a Canterbury newcomer has turned the traditional New Zealand dairy industry model on its head

Synlait Milk started as a smart idea for a primary sector exporter, but with determined entrepreneurial drive, countered by steady and disciplined governance, it has grown its annual revenue to \$400 million in just four years.

The Canterbury dairy company exploits the region's abundant pastures, healthy livestock and pure water supply to turn milk into money, creating higher-value products for luxury offshore customers.

Synlait makes nutritional powders that directly target global demand for safe, reliable, protein-rich foods. The leaders of its 128-person team based in the small Canterbury town of Dunsandel doggedly pursue opportunities presented by global mega-trends: China's emerging middle class, protein demand to fight global obesity and a particular focus on both nutrition for infants and the swelling ranks of the elderly.

Synlait's products range from calcium-fortified powders for bone health to fully formed infant formulas designed to mimic mother's milk to a sideline in cream products made as a result of the powder manufacturing process.

Chief executive John Penno, a scientist with an acclaimed career in dairy industry research, joined forces with commercial dairy farmers Ben Dingle and Juliet Maclean to establish Synlait. Together Penno, Dingle and Maclean own the largest dairy farm in the country, which is naturally one of Synlait's 150-plus suppliers. Almost all of the company's milk suppliers, with an average herd size of 700 cows, are located within an 80km radius of the company's Dunsandel base.

Penno says Synlait kicked off with thorough market research and worked back from there, figuring out what the consumer wanted and establishing its operation to meet those needs.

"We literally just jumped on the plane and visited potential customers, refined a sales strategy and formed a long-term view of how to cater and develop markets," Penno says. "We've had the privilege of building the business backwards."

This is one example of Synlait's point of difference in a dairy industry dominated by farmer co-operatives. The company nurtures a nimble, entrepreneurial spirit.

"We pride ourselves on learning very quickly and quickly killing the things that aren't working."

Right from its first season (2008/2009), more than 95 percent of Synlait's product were sold offshore. Today, it exports to around 40 countries.

"Early on in our life, NZTE was enormously helpful in connecting us with companies," says Penno, adding that the company's global sales strategy is built on a three-way market focus: one-third of its business in China, one-third in the rest of Asia and one-third in the rest of the world.

"China is the big opportunity for food producers, as they fight to feed the swiftly ballooning middle class and satisfy growing demand for high-quality animal protein. China's the biggest influence in the market, there's no question about that."

Penno says aspiring exporters cannot hope to build relationships by email. Solid foundations are built by social interaction, but he says it

need not take years to establish a trusting, successful partnership.

Synlait used New Zealand Trade and Enterprise's networks to access other Kiwi businesses operating in China and learn from their experiences.

Synlait has a coveted major partnership with China's Bright Dairy, which is also one of its numerous Chinese customers. But Penno says the global focus on China has left a vacuum in other markets. While competitors have scrambled to establish themselves in China, Synlait has picked up opportunities in Vietnam, the Philippines, Japan, North Africa and the Middle East.

The Synlait milk facility processes more than 550 million litres of milk every August to May in milking season. It boasts three leading-edge milk powder dryers, one of which is the largest and most sophisticated infant formula facility in the Southern Hemisphere and can process up to seven tonnes of infant milk powder per hour.

As a relatively small company with a tight cluster of suppliers whose geographic proximity ensure a consistent taste profile, Synlait is able to maintain absolute control over the quality of milk supply, milk processing and market distribution to guarantee its customers absolute food safety, security and traceability.

Penno says this level of product assurance and accountability is a point of difference for which luxury customers are willing to pay.

Synlait is determinedly focused on higher-value products, turning New Zealand milk into premium luxury goods offshore.

"You need to be at the top end of the value chain," Penno says. "Otherwise there's no use."



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IN BRIEF

Since operations began in 2008, Synlait Milk has grown its revenue to \$400m, its supply base to more than 150 farms and its staff to more than 130. Synlait processes more than 550 million litres of milk per year to produce a range of nutritional milk powders that are exported to more than 40 countries. www.synlait.com

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