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Libstar's cash cow

WESTERN CAPE-based dairy products specialist Lancewood is proving a strong cash cow for food brands conglomerate Libstar – last year was listed on the JSE.

Libstar's latest annual report for the year to end December noted that Lancewood had an outstanding year after completing the integration of recently acquired Sonnendal Dairies.

Lancewood produces and supplies a range of cheeses, as well as butter and other dairy products. These include cheddar, gouda and mozzarella, cottage cheese, cream cheese, mascarpone and yoghurts as well as milk, amasi, buttermilk, cream, dairy blends and fruit juices. It also produces a range of private label and dealer-own brands as well as distributes a range of well-known international brands - including Kiri, Laughing Cow and Bel cheese products, Lurpak Butter and Castello Cheese.

Lancewood has two production facilities – one in George (which is in the pastured region for dairy farming and in close proximity to its milk suppliers) as well as a dairy facility in Athlone Industria in the Western Cape.

Libstar CEO Andries van Rensburg said that Sonnendal Dairies' margins – as promised - were steadily improving due to product diversification driven by the launch of new, value-added products.

The big success was the launch of a new line of yoghurts – which since launching last year have grown yoghurt value share by an astounding 85.6%.

Van Rensburg said Lancewood (which already holds a dominant position in the cheese market) was a good example of how the innovation of new products – specifically higher-margin, quality, branded, taste differentiated yoghurts - could counter the negative pressure of the cash-strapped consumer on a business.

"This yoghurt line, despite only being in operation for the latter part of 2018, has already captured substantial market share, well ahead of our forecasts."

He stressed the full benefits of the yoghurt launch would only flow through in the first half of the 2019 financial year.

Van Rensburg disclosed that during the year cheese and butter revenues were up despite a very competitive market.



He noted that successful margin control initiatives and reduced input costs had bolstered gross profit margins.

Libstar's annual report showed the Perishables segment – of which the dairy hub is a key ingredient - contributed 46% of group revenue and 43% of profits in the 2018 financial year.

Perishable revenue jumped 22.5% to almost R4.6 billion – driven by "a very strong performance" in the dairy sub-category. Organic revenue (excluding the acquisition of Sonnendal Dairies and Millennium Foods) was up almost 12% with a 2% improvement in profits to R455 million.

Looking ahead, Van Rensburg believed the change in consumer diets coupled to a strong focus on health and wellness meant dairy was perfectly poised to meet consumers' lifestyle changes.

"We are seeing that consumers are increasingly focused on gut health, nutrition and high fat products, resulting in demand creation for these type of products. Consumers are also seeking products that offer convenience and fulfil their snacking needs."

Van Rensburg explained that as Lancewood's existing production capacity was not able to meet all of these trends, Libstar evaluated the investment cost of building an additional factory or acquiring an existing business to deliver high quality products.

Following a rigorous process, Lance-

wood identified Sonnendal Dairies as a potential acquisition target as the company already produced high quality private label yoghurt.

"Its product mix was weighted towards the sale of bulk and commoditised milk, with lower gross profits and net profit margins."

He said Libstar's intention with Sonnendal Dairies was to utilise the production capacity to manufacture Lancewood-developed new products and to change the product mix towards value-added and higher-margin dairy products.

Libstar also looked to broaden the reach of Sonnendal Dairies to other retailers.

Not surprisingly Libstar has invested heavily in Lancewood's production capacity – spending R64 million on capacity-enhancing equipment and leasehold improvements.

"We increased the group's hard cheese manufacturing capabilities and reduced dependency on third-party manufacturers."

The new plants will locally manufacture Kiri and Laughing Cow Cheeses.

"We will remain focused on innovation and new product launches in this business to protect and grow market share. We will also continue to invest in capacity and efficiency improvements..."

The annual report shows R100 million earmarked for multiple facility upgrades at Lancewood in the financial year ahead.

Baudouin Marine Engines, set to make waves



Peninsula Power Products, (PPP) the Cape Town and Port Elizabeth based suppliers of marine and industrial diesel engines, gearboxes and generators have secured the exclusive Southern Africa dealership of the ubiquitous Baudouin range of marine engines, manufactured in its French factory since 1918.

Guillaume Costa, Baudouin's Sales Manager for sub-Saharan Africa explained that Baudouin designs, manufactures and sells engines into the marine and power generation markets in 48 countries around the world. "While we have a strong presence in north, east and West Africa, we approached PPP to expand our brand footprint in the south of the continent due to PPP's 50+ year's reputation of technical expertise, spares and service excellence in the local market".

Baudouin marine range of engines offers both electronic and full mechanical fuel injection options and expands the PPP range from 4.5 litres right up to 39 litre marine propulsion engines providing the opportunity to enter the market of 130 to 1 650hp continuously rated workboat range. Its marine genset range covers outputs of 85kVA to 1 100kVA.

"Attractive benefits of these engines are that they are very well priced and easy to work on which combined with renowned durability, reliability and built with the robustness that is required of the marine environment. Our engines are not adapted land based stationery engines but are exclusively designed for marine applications" he expounded.

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