

Lane plans 'world'



After several years without an acquisition, the Irish Dairy Board (IDB) is poised to embark on an ambitious growth path under new chief executive Kevin Lane. **Pat O'Keeffe** reports

Since he assumed the helm in January, Kevin Lane has begun a root and branch review of the business. He has secured board approval for his initial plan, which is focused on growing the business.

The soft spoken Kerry man has a clear mission: to drive sales and profit growth in the Irish farmer-owned business. His plan is simple — sell more Irish cheese, powder and butter. “Everything we do can be measured on whether it will add value to our members,” he explained.

The global nature of the IDB business suits the man from Brosna, Co Kerry. He has travelled the world during his ‘22 great years with Kerry Group’. He was based outside Ireland for 19 years, with nine years in the UK,

eight in the USA and two years in Mexico. He retains the Kerry accent.

He said that the IDB is very good at many things, but has to become excellent at many more. “I want to get into the mindset that we have to operate at world class standards in everything we do.”

He has a very strong belief in performance measurement. “We have to benchmark ourselves against the biggest and best dairy companies in the world; our collective industry must stop judging itself against the competition within the island of Ireland,” he said. “We have to be world class in selling and marketing dairy products from Ireland.”

Lane aims to develop a ‘high performance culture’ with an emphasis on ‘straight open communication’. He said: “I’ve no time for game playing; there’s too much to do.”

When he was appointed chief executive, Kevin Lane committed himself to an intensive 90-day period to examine every element of the business, after which he would present the board with an action plan.

There were three elements:

- getting to know the views and capabilities of the IDB’s executive team
- engaging closely with the 15 members around the board table, and
- visiting each of the 17 IDB subsidiary locations.

During his trawl through the business, Kevin Lane was impressed. “This is a global, large scale profitable business with close to €2 billion in sales.” In terms of people, he remarked: “There is some serious talent in this business. I saw a hunger and desire to participate in a growth agenda.”

Kevin Lane’s plan is simple – sell more Irish cheese, powder and butter



IDB chief executive Kevin Lane has a clear mission: to drive sales and profit growth in the Irish farmer-owned business.

The report he presented at a two-day meeting in Dublin was fully endorsed by the board. Strategic reviews are currently underway at each of the IDB’s 17 subsidiary locations.

Lane will re-visit each location during May and June to hear their plans. By November, he will present a revised three-year plan for the IDB.

He said that the IDB has three distinct business areas:

- US distribution business
- global consumer foods business, with branded and private label
- ingredients business, with commodity and added value.

“We can’t invest in every part of this organisation; there is a finite level of resources, both human and fi-

nanial. We have to identify the areas within those three businesses that are going to grow the fastest.”

He continued: “We have engaged with each location and told them that they have to get serious about growth. We can grow organically, through new product development and new markets, but, if you are not adding on

synergistic acquisitions, you are not moving forward in the optimum way,” he said.

Kevin Lane hinted that some subsidiaries may no longer fit into the IDB strategy. “I have a belief that all businesses have a life cycle,” he said. “Disposal of non-core and underperforming assets has to be considered,” he added.

Brazil, Russia and China in Irish Dairy Board’s sights

KEVIN Lane has left the agenda open to each business unit to propose their own preferred products and regions for growth. “I purposely left the net very wide for them,” he said.

However, he has laid down one geographical marker. “In whatever new plans that come back, I want to see ambitious growth for three

new territories — Brazil, Russia and China. They are three markets we need to get serious about and have to be part of our future”.

He added: “The board isn’t in those three territories in any meaningful way. We have to have the courage to invest on the ground; we won’t build businesses in Brazil, Russia and China out

of Grattan House, Dublin. We have to have an in-market presence”.

The IDB has a sales office and a sales agency in China. “With the size and complexity of China, you are not going to get it done with that level of resources. We have to seriously up the ante in terms of structure and team,” he said.

Likewise, in Russia, the IDB has an agent as well as a person with responsibility for the territory. “If you want to be serious about Russia, you have to invest in market presence and you have to be there every day of the week.

“If part of that strategy means you have to acquire a company there, well then let’s look at that as well,” he said.



China: ‘We have to seriously up the ante in terms of structure and team’ – Kevin Lane

class' IDB

KEYPOINTS

- Aim to develop a 'high performance culture' in IDB with emphasis on 'straight open communication'
- Trading outside IDB has to be tackled
- Ambitious growth for Brazil, Russia and China
- Serious opportunity for branded product in USA
- Product development and applications to be serious part of IDB agenda

He said it would be premature to identify which business would be sold or closed, but he confirmed that a decision will be made by September. However, he was keen to stress that the board has not made asset disposal a precondition of acquisition. "I have asked my finance director and his team to meet our banks to get a sense of the level of funding that would be available to us for expansion. We came into 2010 with only €26m of debt, which is a fantastic position to be in for a business with €2 billion in sales. With the support of banks, there should be some headroom there to move.

"There is nothing off the agenda; we will do what we need to do on funding and financing if it makes strategic sense. We have a supportive board and supportive banks so, if we have the right strategy, you would be optimistic that they will move forward."

Will there be a significant positive growth target for Kerrygold sales? "There has to be," he said. "We have said to the business units that we want to see very ambitious growth plans for Kerrygold, for the international markets and for added value ingredients."

According to Kevin Lane, there will be 'five legs under the stool' to grow the IDB business over the next three years:

- build the brands
- new international markets
- new customers
- new product development and innovation
- acquisitions and divestitures.

Trading outside the board 'has to be tackled'

FOR many years, the issue of Irish Dairy Board members occasionally competing against the IDB on international markets has been a contentious one. Kevin Lane is adamant that, as chief executive, he has a duty to tackle the issue once and for all.

"I have told members that I will not turn my back on this issue and pretend it does not exist. I am not going to allow us, as a business, to confuse our customers and to drop the overall price by having unnecessary competition. It's the elephant in the room that I am not going to avoid," he said.

"In the long term, there is no benefit for Dairy Ireland Inc to have members in the market competing with each other. We need to compete in

the market with one voice. This organisation is tasked, resourced and paid to be their sales and marketing arm and we have to use it."

He said that the ongoing volatility of markets means that there will always be potential for 'one off wins'. "The need for us to speak as one voice, the need for us to market Irish products as a single entity, was never greater."

He stressed that the number of cases where members sell outside of the IDB is small in number. "It is a much more emotive issue than a substantive one," he said. "The individual incidents cause massive noise and annoyance. What I am saying is that we are going to deal with every one of these individually now and under-

stand together why it occurred, where it occurred and what was the rationale for it."

Members currently sign a contract with the IDB on terms of their likely sales volume through the IDB. Lane said: "There is currently a signed contract, but I think the word we should be using is 'commitment'. A contract is a piece of paper that you can find your way around if you wish."

Lane acknowledged that the IDB's own performance is crucial to member loyalty. "I think there is also an onus on us to demonstrate, both in rising and falling markets, that we have the customer relationships, the quality of sales people and the routes to market that are the best in class," he said.



IDB to sponsor dairy farmer competition

Kevin Lane confirmed that the IDB, in partnership with the *Irish Farmers Journal*, will sponsor a new 'Dairy Farmer of the Year' competition, details of which will appear in next week's edition. "This competition," he said, "will highlight the high levels of dairy farming husbandry and commitment required to deliver premium milk for the manufacture and export of quality Irish dairy products around the world, some under the Kerrygold brand."



Research and innovation

"WE are not investing enough time and energy in new product development, neither in our consumer business nor our ingredients business. It is something we must change."

Kevin Lane has visited the Teagasc Moorepark food research facility and has met the new Teagasc head of food research, Professor Paul Ross. "I see Moorepark as being instrumental in mov-

ing our new product development and innovation agenda forward."

Lane said that the IDB would like to engage with members and use institutions like Moorepark and the academic institutions to have a triumvirate of activity going on.

"Product development and applications will be a serious part of our agenda; it has to be."



Product development will be a serious part of IDB's agenda

'Serious opportunity' for branded product in USA

THE Irish Dairy Board has a profitable, large scale distribution business in the United States called DPI, which also serves as a vehicle for marketing Irish dairy products. However, the fact that at least 95% of its turnover comprises non-Irish goods has prompted occasional calls for it to be sold.

Kevin Lane has visited each of the five DPI units in

the US and has reached some early conclusions. "We've taken the decision to look at DPI as five separate regional businesses, rather than one. They are all running at different levels of profitability, different levels of growth and they have very different levels of opportunity.

"We will set individual profit targets for each of those units. There is a serious

opportunity to have an even stronger representation of Irish branded product through the 450 DPI trucks travelling the USA every day," he said.

He added how work is required to maintain the correct pricing and distribution strategy for Irish products in the US market. Irish butter is expensive compared with competitors on the shelves, but in-store demonstrations

show that real Irish creamery butter and cheese wins consumers.

"Every one of them is saying 'phenomenal flavour, phenomenal taste, much richer, we are going to buy it'. We just didn't know about it," he claimed.

"We are ramping up our tastings, because, once the consumer tries it, they tend to become an adopter."

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+
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