



MEDIA RELEASE

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NZ dairy industry provided opportunity to develop high-value products

Hamilton, New Zealand - Minister of Agriculture, Hon David Carter, turned the first sod this afternoon at the Waikato Innovation Park in preparation for constructing New Zealand's first and only independent product development spray dryer.

Construction of the \$11 million spray dryer facility will commence later this month. It will open in May 2012 and is the third building on the 17-hectare campus of the Waikato Innovation Park in Hamilton, New Zealand.

At the ground breaking ceremony today, Minister Carter said, "With New Zealand's future growth firmly based on primary production, it is imperative we continually seek innovative food and beverage sector opportunities. The New Zealand Food Innovation Network and this development for the Waikato Innovation Park are important steps in making this happen."

Waikato Innovation Park Chairman, Michael Spaans, indicates the dryer is one solution that can help the dairy industry move further up the product value chain.

"With annual dairy exports sitting at just over \$12 billion, the New Zealand dairy industry is one of the country's largest export earners. The majority of our dairy exports are ingredients such as milk powder, butter and cheese. New Zealand dominates the world's dairy commodities markets – that's our core strength and we will keep doing this well.

"Waikato Innovation Park now wants to do our part to help the dairy industry add to this core strength and do even more in the value added products space.

"Our spray dryer will give dairy companies an opportunity to research and develop high-value products, which is very difficult to do in large, commercial factories," explains Mr Spaans.

The spray dryer is the Waikato component of the Ministry of Economic Development-sponsored New Zealand Food Innovation Network. Waikato Innovation Park's parent company, Innovation Waikato Ltd, has formed a subsidiary – New Zealand Food Innovation Waikato Ltd – to own and operate the dryer.

CEO of the subsidiary, Derek Fairweather, says the spray dryer "will initially be set up to allow companies to research, develop and manufacture new milk powders. However, the medium-term strategy is to expand the plant's capability to manufacture infant formula."

Tim Morris, Director of Coriolis Limited, has done extensive research into the opportunities for New Zealand dairy companies to move into infant formula production. He says the sector is missing out on a huge opportunity.

“The baby food/infant nutrition market worldwide is achieving strong growth driven by increasing demand, particularly in the Asia Pacific region. In this region alone, sales of infant formula have grown 15% per year for the last five years.

“What might be surprising to some is that most infant formulas sold in the Asia Pacific region contain New Zealand milk powder. But, sadly, it’s the formula manufacturers who are capturing most of the value of our milk. Infant formula delivered to the back door of a supermarket is worth ten times as much as our milk powder exports at the border.

“We blither on incessantly about the need to add value to our exports. Infant formula is a clear, no-brainer opportunity to add value. Waikato Innovation Park’s new facility is a great step on the path to realising this opportunity,” explains Mr Morris.

Derek Fairweather says Waikato Innovation Park has received interest from dairy companies within New Zealand and overseas who are interested in using the pilot plant mainly for development purposes. Several offshore companies have also expressed interested in producing market development runs of infant formula.

Mr Fairweather says each of these prospective spray dryer users has the potential to develop export markets worth hundreds of millions of dollars to New Zealand.

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Waikato Innovation Park Spray Dryer – At A Glance:

- Only independent product development spray dryer in NZ
- Construction to start in July, and operational by May 2012
- \$11 million project
- Capacity of one-half tonne/hour
- Initial focus on manufacturing whole milk powders
- Dryer will eventually manufacture infant formula
- The dryer will also have the ability to manufacture fruit and vegetable powders
- The dryer is the Waikato component of the NZ Food Innovation Network
- Other NZ Food Innovation Network centres: Manukau, Palmerston North and Christchurch
- Finance for the dryer has come from Innovation Waikato Ltd and a Government grant of \$3.95 million