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Dairy Crest invests £85m in cheese factory as overseas demand grows

Cornwall creamery expansion to be funded partly by sale of £70m of new shares to institutional investors



Dairy Crest has announced plans to invest £85m in the expansion of its cheese factory in Cornwall to meet growing demand for cheddar in markets such as China.

The company behind the mature cheddar brands Cathedral City and Davidstow said the investment would be phased over the next five years and funded partly by the sale of £70m of new shares to institutional investors.

Mark Allen, the chief executive, said expansion of the factory was “great news for the local area”, providing certainty for **its dairy farmers** and workers, and creating jobs over the period. About 200 people are employed at the plant.

To meet growing demand, **Dairy Crest** estimates it will need to increase annual cheese production at its Davidstow factory in **Cornwall** from 54,000 tonnes to up to 77,000 tonnes.

The group, which also owns Country Life butter and Clover spread, hopes to capitalise on rising demand for mature cheese at home and abroad.

Currently, 98% of Dairy Crest’s cheese sales are in the UK, with 2% of exports going to Europe, predominantly to destinations popular among British holidaymakers.

Source: The Guardian https://www.theguardian.com/business/2018/may/23/dairy-crest-invests-85m-in-cheese-factory-as-overseas-demand-grows?utm_source=dlvr.it&utm_medium=twitter

Allen said there was “good evidence” that Chinese consumers were developing a taste for mature cheddar, with demand also growing in Europe, the US and east Asia, giving Dairy Crest the opportunity to bolster exports when it increases production.

“I’d like to think that seven or eight years down the road we’ll be at about 20% exports,” he said.



In the UK, the cheese market is growing at about 2% a year and Cathedral City is the No 1 brand, with a 20% share of the cheddar market.

Expansion of its **Cornwall** factory will include investment in new technology and machinery as well as funding infrastructure for a self-sufficient water supply. About £10m will be spent on new machinery to increase its use of recyclable packaging.

Allen said it had been “a year of considerable progress for Dairy Crest” as the company announced the investment alongside its annual results.

Group revenue rose 10% to £456.8m in the year to 31 March, while pre-tax profit increased by 3% to £62.3m.

Cathedral City was the main driver of growth over the year, outperforming the wider cheese market. Dairy Crest said it was a top-20 food grocery brand, “found in more than half of all fridges across the country”.

The group said snacking was a key part of its growth strategy for Cathedral City, which has launched a snack bar version available in most convenience stores.