

CASE STUDY



Organic Dairy Hub Co-operative NZ Ltd
organicdairyhub.co.nz

A GREAT NEW ZEALAND FARMING STORY BUILT ON PEOPLE, VALUES AND PRODUCING THE **BEST DAIRY FOR THE WORLD**



In 2015 a group of organic dairy farmers saw an opportunity and came together to officially form The Organic Dairy Hub Co-operative NZ Ltd (ODH), New Zealand's only 100% farmer owned organic dairy co-operative.

They believed that by standing together as one strong group, with a common passion for producing high quality food, a robust strategy and sound business model Organic Dairy Hub Co-operative would become the preferred organic dairy supplier/producer for NZ and for the international market.

ODH provided the platform to showcase some of NZ's most highly skilled organic farmers, working together to strengthen the NZ organic sector, bring organics to the forefront while having a strong connection with the land, animals, environment, their families and their communities.

What inspired the setup of the Organic Dairy Hub?

Frustrated with the current lack of future directional drive of the organic dairy sector this group of certified organic farmers in the North Island of New Zealand could see that certified organic food meets the growing consumer desire for food safety, security and transparency This led to the decision to set up as a farmer owned cooperative with a dedicated focus on organic production, that is agile , forward thinking, that strives to be one step ahead of what the customer is looking for and is able to meet the future needs of both the farmer and customer.

There was a true desire to set up a business where all shared in the passion for organics that had a real family feel to it, where every person counted, was engaged and valued.

It's very much in shareholders hearts to produce organically, they take pride that the co-op farmers meet some of the strictest organic standards in the world, all ODH farmers are independently audited by third parties ensuring full transparency behind the food they produce so ODH customers have the peace of mind that there is absolutely nothing but natural in the food being produced.

Once the decision was made to set up ODH, was it smooth sailing?

Making the decision to set up the cooperative was the easy part. In the following years success has come but never in a direct route which has been good for the co-op as it has brought both challenges and opportunity but most of all it has brought strength within the shareholding. ODH has quietly built up their milk supply to meet the increasing demand, the focus has been on a strong future focused strategy and it's about walking their own path in developing the business commercially, before turning to developing a public profile.

Shareholders were committed from the outset to take the time to plan and really understand what was needed for the co-op to be successful. Building the right culture within the co-op has been critical, a culture that is understood and embraced by the shareholders, setting up the right governance and management structure and developing a solid constitution to guide the business. The Long-term success would be down to the shareholders and ensuring a strong foundation was formed to build upon for future success and that is exactly what has happened.

The business became operational in June 2015 with one contract, one tanker, and nine farmers supplying liquid milk to one processor. As a start-up, ODH farmers understood the risk but could also see the rewards would far outweigh the risks. It was understood by all that the co-op had a long term vision, it was never about today or tomorrow or the next 5 or 10 years, the co-op was formed to be intergenerational and it would be the future generations that would truly see the rewards.

In 2019 ODH has six tankers, multiple contracts, and 35 committed organic farming families who support the co-op and each other with their collective energy for continual growth. ODH organic milk is processed into a range of products – liquid milk UHT, butter and cheese, milk powders, and premium organic New Zealand dairy products. ODH milk is in products that are sold in boutique food stores, local supermarkets, or retailers across the globe.

What is your product mix?

ODH is focused on creating premium New Zealand organic milk and milk products and prefer to leave the commodity products for other manufacturers. There are much bigger organizations that dominate the space of high volume products. ODH know where they fit in the market, high value high quality product.

ODH ensures their farms are achieving the highest organic certifications and market accesses and are focused on making milk into as many different premium components as possible to satisfy the wide spread of contracts and enquiry they are receiving.

Organic Dairy Hub Co-op have the ability to produce:

- Bottled organic liquid milk and cream
- Bottled and tetra organic UHT milk and cream
- Organic butters, cheeses, yoghurts and other cream based fresh dairy products
- Organic Whole Milk Powder, Organic Skim Milk Powder, Organic formulated base powders for paediatric applications
- We are also developing processes to produce diverse, high value nutritional and protein based dairy ingredients for infant, elderly, sports and sensitive consumers

Their newest milk products being produced are from A2 bred cows

- NOP Organic Whole Milk Powder from A2 cows
- NOP Organic Skim Milk Powder from A2 cows
- NOP Organic formulated base powders from A2 cows
- Myriad fresh dairy products made from NOP Organic A2 cows' dairy

The unique organic farming practices developed on our New Zealand farms to produce premium organic fully certified milk from A2 bred cows adds to the already identified health benefits of organic milk.

Organic Dairy Hub Co-operative is a proud co-operative that has the capability, technical expertise and agility to be able to produce unique future focused products for our customers specific demands.

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What do you see as the key drivers for your success?

There are four key areas that define our success:

1. Strong working partnerships that reflect both the Co-op value as well as the customer values.

Understanding the customers needs and delivering on expectations this adds value to both businesses. Working in with processors, other smaller suppliers, customers and stakeholders. Building long term mutually beneficial strong relationships and close collaboration to produce high quality products. ODH consider their customer relationships as partnerships and ensure that they are always long term and win-win for both parties. All parties working together are introduced to ODH values and always recognized the farmers for the incredible work that they do to produce the raw ingredient.

2. Practical and agile operations.

ODH farms are spread across a large area and efficiency in moving the milk to the right processor is key in delivering the right product. Optimizing available infrastructure is a key focus for the processing of milk into the range of products the customers request. ODH also works with external processing and packaging partners.

The long-term strategy for ODH is to be a vertically integrated business focusing on producing high quality products, allowing ODH business partners to have real relationships

with the dedicated highly skilled team. ODH partners see the benefits of talking to real people who can handle all facets of the business, where solutions and customer service is a focus.

3. Ensuring the ODH farmers are rewarded for the incredible work they do. Every business decision made is for the betterment of their livelihood and their families They understand the importance of raising the bar higher than the minimum standard requirements, to drive farm, social and environmental performance on farm. High performers are rewarded and acknowledged for on farm excellence The continual achievement for higher levels of excellence is key to growth. A2 milk production and breeding program is a great example of where our farmers strive to achieve more and be rewarded for it.

4. Taking the farmers on the journey of food production. Each farmer needs to understand the full journey of their milk being part of the whole process from the time they turn the lights on in the cowshed in the morning to the moment their product reaches the consumer. ODH is connecting farmer with customers, helping them understand what the consumer want. ODH takes their farmers to see the processing plants so they understand the needs of the production teams so they can better understand what they can do on farm to make better products.

ODH farmers will strive to produce the highest quality and to the highest certification levels if they understanding the 'why' of their co-op.

What does it take to become a shareholder farmer of the ODH Co-operative?

ODH is not rushing out to sign up any old farm - it's not volume game - it's about the right people and returning value to the shareholders. To be highly successful it must be sustainable with a have long term vision for the farmer shareholders, this is something the ODH Board have place a great amount of emphasis on. ODH has said they don't need to be the biggest co-op, but will strive to be the best.

Long term success will be about ensuring the co-operative has the right people with common goals, values and commitment, ODH makes no apologies for being strict on who becomes part of the ODH co-operative family. There is a rigorous process to go through to become a shareholder; for any potential new shareholder every aspect of their business is look at, it is about how they operate, their farming practices and philosophies.



Due diligence includes:

- Looking at what their current farm operations are like
- What is their level of financial management/business/farming acumen?
- Are they good employers?
- What is their farming history, and have they had any conduct infringements?
- Understanding their journey, their goals and building their organics expertise
- Do they understand and align with the ODH values, goals and culture?

To obtain and maintain organic certification requires time, commitment, traceability and transparency across all activities of the farming operations. ODH focus is on their farmers achieving the highest level of organic certification for global access, so the standards and expectations for an ODH shareholders are very clear from the start. This includes checking each farm has a social justice policies, an annual audit of employment contracts to check staff are paid a fair living wage, and they have good working and living conditions. Understanding and implementing animal welfare practices and being aware of law and environmental changes. All ODH farms are internally and externally auditor annually

The sharing of information and learning happens within the co-op, where existing fully certified organic farmers provide support for any new farmers while in conversion to organics to aid in their success. ODH hosts on farm discussion groups which ensures support is wrapped those that need it. The farmer to farmer discussion groups provides the platform to connect with those starting out on their organic journey with other more the experienced certified organic farmers.

What will ODH look like in ten years?

A truly global dairy exporter, producing high value, sought-after ethical premium products.

Happy and content shareholders with continued good co-operative returns and continuing to be at the forefront of dairy innovation, sustainability and nutrition without losing sight of what it means to be a cooperative.

Continually developing the business in areas that will at value.

Will be an excellent place to work, where staff are happy, and attract great people.

ODH will be the conduit between governments, industry and legislators through to the farmers on the land.

Regardless of how large ODH grows the values will still hold true.

What's one thing you want the Dairy Market to know about ODH and Organic farming?

Organic Dairy Hub Co-operative is NZ's only 100% farmer owned organic dairy co-op, where the focus of the business is on organic products.

Customer focused with the agility and flexibility to deliver what customers are looking for.

Savvy future focused businesspeople who understand the balance of environmental and financial positioning.

Producers of New Zealand, grass fed, GMO free, certified NOP, EU, NZ, China organic, A2 dairy products – just give us a call...and a real person will answer.



Clay Fulcher
Chief Executive