



THE MARKET

Cheese lovers in Australia now have a diverse range of varieties, types, flavours and textures to choose from.

The markets in which Bega primarily competes are the high volume natural and processed cheese markets.

The natural cheese market is worth approximately \$ 370 million and the next biggest is processed cheese with approximately \$ 230 million. Both segments are growing in value at approximately 5% per annum. Both markets are highly price competitive with four major players vying for increased share. House brands figure largely in the cheese category with about 28% of the market and growing.

A growing sector of the cheese market is the fat reduced category, currently holding 20% of the total natural and processed business. Fat reduced is available in both natural and processed cheeses and represents a value of \$120 million. All major players are represented in this segment.

Cheese is a staple part of the Australian diet and one of the most important sources of calcium. The Australian dairy industry has been promoting the consumption of cheese as a means of dealing with the debilitating disease osteoporosis.

ACHIEVEMENTS

Bega is the Number 1 selling Australian brand in both full fat natural and reduced fat cheeses. Current Bega Cheese sales are approximately \$100

million with revenue still growing at a rate far greater than the total market.

This impressive result has been achieved in the face of aggressive discounting by competitors, particularly in the full fat category. This fact alone is indicative of the loyalty and trust consumers have for the Bega brand name and the quality of the products which Bega sells.

Bega's popularity is largely due to a universally admired consistency in flavour and texture. Bega products have won numerous gold medals and blue ribbons at recent Royal Agricultural Shows and in many Dairy Industry Assessments.

Market research shows Bega Cheese is considered the best in terms of quality and taste and has the strongest association with heritage and country origin.

In a recent grocery industry survey, Bega achieved the respected position of Number 21 best selling grocery brand in Australia. Bega is the only brand in the top 21 that is 100% Australian owned and produced.

HISTORY

Some early cheddar cheeses were made in Bega as far back as the mid 19th century, but the Bega Cooperative Creamery Company

was not officially formed until 15 July 1899 by the farmers of the Bega Valley.

At that time, farmers simply wanted to control their own industry. It is difficult to estimate the exact date when the brand 'Bega' was introduced, but all indications point to 1899 as the correct year.

The original Butter Factory at Bega began production early in 1900. As demand grew for the rich, creamy butter made in the traditional manner, a bigger factory was later built on the site, and today this factory continues to produce Bega butter in the same time honoured manner. Cheddar cheese was also produced at the same factory during the early years of the Cooperative's development.

In 1944, the Cooperative changed its name to become the Bega Cooperative Society Limited. In 1969, a new, modern cheese factory was commissioned. This meant that Bega was able to expand further into the cheese market, and during 1971 the Society introduced the Kameruka Cheddar brand to its existing product range. Kameruka is still a popular and trusted brand in the southern regions of New South Wales.

In 1976, Bega gained a share of the NSW fresh milk market. To meet demand, Bega farmers expanded operations to increase milk production, while the Cooperative improved its capacity to service milk markets in both Sydney and the ACT.

Over recent years, there have been many new extensions to the cheddar cheese range, spear-headed by the launch of the Specialty Cheese Making Division. The Specialty Division produces high quality hand waxed rounds, including the highly acclaimed 19th Century Cheddar and Ryefield Semi Soft Cheese varieties.

In 1992, an Alfomatic cheddar cheese making machine, and the "Blockformer" tower (for compacting curds into 20-kilogram cheddar blocks) were added to the factory. These modern technological advances allowed the Society to produce more than 12 million kilograms per annum of consistently high quality Bega cheese to meet the ever growing demand from Bega customers.

In 1995, the Bega Co-op spent many millions of dollars to construct a new, state-of-the-art Whey Powder Plant. Whey, previously sprayed onto farms as fertiliser, is now converted into a high value-added product which is used in the manufacture of ice cream and in the bakery and confectionery industries. At the same time, Bega constructed a new maturation storage area, in which up to 3500 pallets of cheese can be matured at precise temperatures to the required ageing levels.

In 1995, the Co-op built the Bega Heritage Centre, a faithful reconstruction of one of the first buildings on the Co-op site. Here, visitors can see how cheese and butter were made in the old days,



how cows were milked and dairy products were transported. They can also taste the many varieties of Bega dairy products on sale.

At the time of printing, the Bega board had approved the installation of a \$25 million cutting, packaging and processing plant which will be situated near the existing cheese factory. This plant, when completed in late 1998, will be the most modern and efficient cutting and packaging plant in Australia

THE PRODUCT

Bega cheese is the Number 1 selling brand of natural cheese in Australia and by far the Number 1 selling brand of cheese in NSW where the brand holds nearly twice the volume of the next best competitor. More importantly, Bega is still 100% Australian owned and produced, a fact of which the Bega Cooperative is extremely proud. The Bega brand has become the Australian icon for cheddar cheese in its country of origin.

On average, approximately 50,000,000 items carrying the Bega brand name are sold annually in Australia. Bega products are now also exported to other countries, including Russia, the Middle East, the Mediterranean, Japan, and many countries in South Eastern Asia.

Bega's flagship is their natural cheddar cheese, with the most popular variant being Tasty, although it is available in Mild, Extra Tasty and Strong 'n Bitey Vintage as well.

Bega's range of fat reduced products are all best sellers. Bega Super Slim for serious cholesterol and weight watchers is 90% fat free and So Light for cheese lovers who want to reduce their fat intake by 25% - without sacrificing taste.

Bega is also famous for their tasty Super Slices - the cheese slice for the more mature palate.

The full range of Bega Cheeses is very extensive and the examples mentioned here represent just a few of their more famous labels.

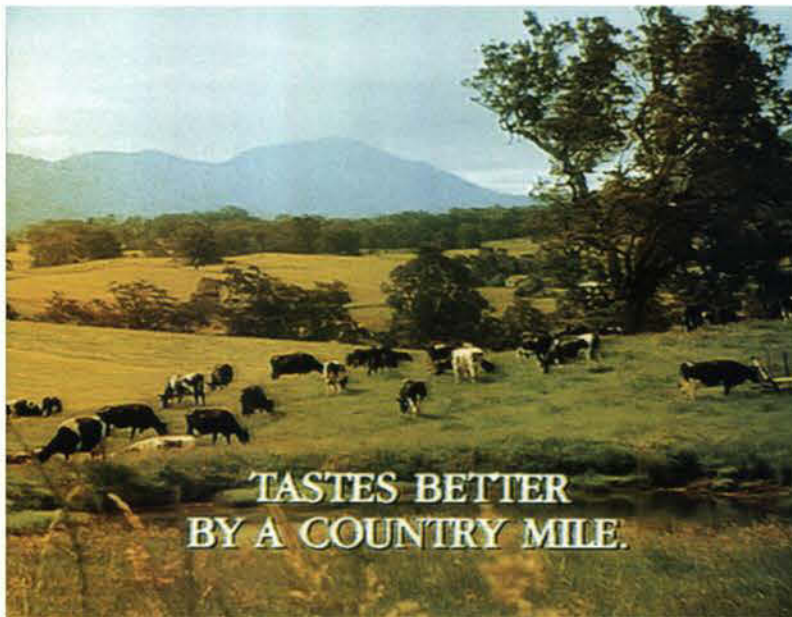
Bega farmers enjoy a sense of pride that can only be won through hard work, success and a commitment to producing only the best quality milk and dairy products.

RECENT DEVELOPMENTS

Over the last few years, Bega has launched Super Slim 90% fat free processed cheddar slices and So Light natural cheddar cheeses. Both of these products have rapidly grown to Number 1 national market leadership in each of their segments and sales continue to grow out of proportion with other branded products in the reduced fat markets.

Bega continues to launch new and innovative cheese products, the most interesting of which, with potentially huge volume, is String Cheese.

String Cheese is an immensely successful children's natural snack product in the US. It is a major category there and it is expected that Australia will replicate the



US experience. Bega will produce and pack String Cheese on yet another new production site and its launch is now imminent.

PROMOTION

The magnificent, lush, clean and green, historic Bega Valley is the fundamental theme for all advertising activity for Bega Natural Cheese in its home state of NSW. The image of this area carries associations with heritage, quality, country values and consistency. NSW promotion for Bega Natural Cheese culminates in the line 'Bega tastes better by a country mile'. Of all cheese advertisers, Bega achieves the highest and most accurate brand recall, primarily because the focus is on its valuable origins.

Outside NSW, where the Bega brand is distributed by the licensee Bonlac Foods Limited, the promotion is focused via a more contemporary theme based on exceptional high quality and product versatility. Bonlac Foods' promotion of Bega Natural Cheese culminates in 'Better buy Bega' - a line which has been



recorded in research as being one of the top 10 best remembered slogans in Australia.

National advertising for each of the Bega Cheese reduced fat products, Bega So Light and Bega Super Slim, projects a modern theme and appeals to people with very contemporary lifestyles.

Bega and Bonlac invest heavily, mainly using television, to promote the brand. This strong support when combined with the consistent high quality of product and the regular introduction of innovative new products accounts for the huge success of the Bega brand.

BRAND VALUES

Bega's brand associations are closely aligned with the valley, the heritage of excellent cheese making and the best quality milk and cheese production in the country. In NSW

these associations are a natural platform for the advertising and as such strengthen the core values of the brand.

Throughout the other states of Australia, where the relationship of the Bega Valley is known but is less relevant, the advertising image is that of a premium quality product with a very contemporary personality. This has built the brand to a position of pre-eminence in its territory.

Testimony to the brand's quality image is the perception by the consumer that Bega is good value for money. That is, they are paying a premium price for it, but the quality makes it worthwhile.

The values above and the new capacity to produce more finished product have motivated the need to market the brand in other countries. The vision of the Board and management is to see the Bega brand dominating export branded cheese markets just as it does the national Australian market.

Things you didn't know about Bega

- Bega farmers were manufacturing Cheddar cheese in the valley as far back as 1860.
- Bega is currently the only 100% Australian owned and produced brand in the 21 top selling grocery brands in Australia.
- In 1995, the Bega Co-op reconstructed a new Heritage Centre which is a perfect copy of the original Co-op factory from 1899.
- Hundreds of thousands of cheese lovers visit the Co-op every year, making Bega one of the most popular tourist spots on the south coast of NSW.
- More than 50 million units of Bega products are sold each year in Australia.
- Of all dairy foods, cheese is the most concentrated source of calcium.
- A world famous mountain climber took his supply of Bega Tasty Cheese to the summit of Mount Everest in the late 1980s.
- It takes approximately ten litres of rich Bega milk to make one kilogram of Bega Cheddar Cheese.