

Bread Solutions



AT A GLANCE

2.1 770 PER CENT GROWTH

The extraordinary growth of Bread Solutions is largely in part to the support they have received from Coles.

2.2 EARLY RISERS

Bread Solutions' Deyrick Upton says Coles gets the *theatre* of bread - something that has helped to drive sales.

2.3 Q&A WITH BREAD SOLUTIONS' DIRECTOR, DEYRICK UPTON

The success of the business due to our partnership with Coles provides us with a great foundation to continually look to be ahead of the market with new products.



A bread company on the rise

Coles relationship with Bread Solutions began in 2007.

"We built this factory on the back of a handshake from Coles," says Bread Solutions' Director, Deyrick Upton.

The factory is the company's current base in the Melbourne suburb of Braeside and opened in Easter 2008 with ten employees.

Today, Bread Solutions employs 140 people and the company has grown a staggering 770 per cent since the move.

That's the equivalent of the business doubling in size every year.

"Coles has never let us down," says Deyrick. "They backed us and have been a great partner to work with ever since."

The key to growth

An innovative approach to a timeless craft

Bread is one of the oldest prepared foods, with evidence of its origins dating back 30,000 years.

The bread business today is one that goes a long way beyond simply mixing dough, flour and water.

Deyrick understands the need to innovate better than most. He regularly travels overseas looking at different technologies.

But Deyrick is not looking to copy existing innovations, he is looking for ways Bread Solutions can lead the rest of the world.

With the company's 'minute technology', he believes they have achieved this.

'Minute technology' derives its name from the time it takes to re-bake the product - one-to-two minutes.

This is a lot shorter than any other par-bake product, and is the closest any supermarket bakery will get to producing artisan-bakery-quality bread.

To better explain this breakthrough technology, Deyrick explains there are limited options for a traditional bakery in preparing bread. They are:

Scratch - this is the method familiar to most people's thoughts of a bakery. This is the 2am start to weigh the flour and the yeast and prepare the bead for baking so that it's ready at dawn. Most supermarket bakeries get around such an early start by using a pre-mix.

Frozen dough - This is the process where someone else makes the dough, shapes it and freezes in before sending it to the supermarket. One of the main problems with this method is that the time saved by preparing the dough from scratch is largely lost waiting for it to defrost. It is also still dependent on skilled bakers (currently in very short supply) to prepare.

Par-bake - for bakeries such as Bread Solutions this has never been an option, due to the extra moisture loss. While the method is incredibly efficient for retailers, at the end of the day most par-bake bread will begin to go stale on the shelf.

That is until 'minute technology'

In developing this approach, Bread Solutions has used a greater concentration of enzymes than ever before, allowing the bread to retain its moisture - so much so that it has more moisture than if prepared from scratch.

As a result the bread is every bit as fresh at the end of the day as when it comes out of the oven.

"In blind taste tests, people were unable to tell the difference between the freshly baked morning bread, and the bread that was on the shelf at 6.30pm."



INVESTMENT AND INNOVATION

State-of-the-art equipment is no cookie-cutter

Skilled bakers are in short supply, but with state-of-the-art technology, Bread Solutions can produce 10-20 times the output of a traditional bakery utilising the same number of skilled people.

“If you de-skill, then yes, it could be labelled a cookie-cutter approach,” says Deyrick.

“However, Bread Solutions does everything a little bit different to the norm.”

Deyrick says their state-of-the-art equipment challenges conventional thinking.

“There is still a strong skill approach with our equipment,” says Deyrick.

“We handle our highly-fermented dough with the same craft as an artisan baker.”

BY THE NUMBERS

771

The percentage growth of Bread Solutions since it started supplying Coles in 2007.

2008

The year Bread Solutions opened their new factory “on the back of a handshake from Coles”.

10

The number of Bread Solutions employees when they opened the new site.

140

The number of people employed by Bread Solutions today.

Elevating bread to a new level

Helping Coles stay ahead of the bread game

“One of the things we love about working with Coles is that they are looking to elevate bread to another level – to give the consumer something totally different.

“Our rustic baguette is a great example of this,” says Deyrick.

“Here is a roll we produced for Coles supermarkets that then went on to win Best in Show at the Sydney Show. This isn’t just us pumping our own product, this is an award-winning, artisan-quality product.”

Deyrick is confident that with Coles, they couldn’t find a better partner to grow the category.

“Coles really gets the concept of bread really well,” says Deyrick.

“They get the ‘theatre’ of the local bakery, and initiatives such as having bread out of plastic and ‘naked’ on the shelf I believe is playing a big part in increasing the demand for our product.

“Bread is the first thing you

smell in the morning – it is at the pinnacle of fresh produce,” says Deyrick.

In terms of Australia’s perception and appreciation of bread, Deyrick believes we’re years behind North America and Europe.

“The typical French person will visit a bakery three-to-four times a day – in Australia that’s likely one visit every three-to-four days.”

However, Deyrick believes Coles is making great strides in placing bread under the spotlight it deserves, citing the local Coles at Oakleigh as a great example of what an innovative approach can do to sales

“Bread sales at that store are up 70 per cent compared to last year.”



Q&A

with Bread Solutions' Director, Deyrick Upton

Coles, crunchy bread and Collingwood

Deyrick has a wealth of experience gained from senior roles in large baking franchises and from running his own companies.

He is formally qualified in baking and food science and has a thorough understanding of the bread market – an understanding he is now able to ply on a larger scale than ever before thanks to Bread Solutions strong relationship with Coles.

When he's not baking, he loves the Collingwood Football Club almost as much as his crunchy multigrain parasettes.

Does your relationship with Coles help provide further insights into the needs of consumers?

Yes it does, very much.

We get product briefings all the time from Coles about new products and new directions they're looking to take. A great example of this would be a healthy, low-GI product.

How is Coles helping Bread Solutions in its commitment to bake bread of the highest quality?

We work closely with the Coles quality team to ensure we produce the highest possible standard.

Our rustic baguettes are a prime example of this.

Coles encouraged us to go beyond the traditional French stick, confident that the demand was there.

The rustic baguette was our response and it has gone on to become the number one selling artisan bread at Coles.

How important is Coles' commitment in growing and developing the Bread Solutions business?

It is crucial. We first supplied Coles in 2007 and since then our business has grown 771 per cent – that's in excess of 100 per cent each and every year.

That's the extent of their importance – our business is doubling every year because of the demand Coles has created.

Our professional relationship with Coles also continues to grow. Every time I'm at the Coles offices in Hawthorn senior management, such as John Durkan, go out of their way to come up and have a chat.

Does Coles' commitment also help Bread Solutions continue to be at the forefront of new products?

The success of the business due to our partnership with Coles provides us with a great foundation to continually look to be ahead of the market with new products.

A great example of this is the gourmet artisan rolls that we're working with them on – these are rolls you cannot get even at an artisan baker.

The great thing that Coles does is that it goes beyond simply the development and elevates the finished product so that it appeals to the consumer and entices them to try something totally different.

Coles has even enabled us to work with Curtis Stone to help develop new lines.

On product types and innovation, how are you trying to provide Coles with a point of difference?

We continue to work with Coles to constantly extend our range.

But this isn't just in the artisan category, such as with the artisan rolls.

We and Coles are aware that not everyone wants an award-winning bakery product – sometimes they just want a soft bread roll – so we're always working with Coles to develop a mainstream range of the highest quality.



Australian Country Choice



AT A GLANCE

2.1 AMOUR MANDARINS A HIT AT COLES

The Amour range of mandarins, exclusive to Sunraysia and Coles, keep winter fruit sales ticking over.

2.2 WORLD'S BEST FOR COLES

MFC sends approximately 3.5 million cartons of fruit throughout the world each year, the very best of it goes straight to Coles supermarkets.

2.3 Q&A

How the relationship with Coles is benefitting MFC.

2.4 NAVAL GAZING

A look at the key numbers: 120+ growers; 3.5 million cartons of fruit a year; \$7 million in recent investment and six quality control check points to ensure only the very best fruit makes it to your shopping basket.

Coles meets consumer demand for natural beef

A move to hormone-free beef on Coles' supermarket shelves is a direct result of consumer demand for natural beef.

This is the view of Coles' biggest supplier, Australian Country Choice – a company so vast that it incorporates 25 properties, two feedlots and a central processing, boning, packaging and distribution facility in Queensland.

ACC Chief Executive Officer David Foote sees the fundamental change as a symptom of a more discerning consumer in today's society.

"While there is absolutely no question about the safety to consumers of eating beef from cattle treated with hormones, there is clear consumer sentiment looking toward more natural products," he said.

"The fact that the eating quality of the beef will improve is an additional benefit to the consumer."

When Coles declared recently that it would only be selling hormone-free beef as from January 2011, it came as no shock to ACC.

In fact, ACC has been preparing for this fundamental change since December 2008.

In March 2009, the company stopped planting any of its cattle with hormones and already it is in a position to supply the supermarket with 100 per cent hormone-free beef.

Excluding the use of hormones across their production system has required ACC to hold and feed their cattle for longer to gain the weight targets it previously achieved with hormone-treated cattle.

Leading the way At the forefront of change

But as the biggest supplier of beef to Coles, ACC has always been at the forefront of change in the cattle industry.

One of their key strengths is to read the market signals and respond swiftly.

"In the 1960s, it became apparent to ACC founder Trevor Lee that the large domestic users of beef, such as Coles and Woolworths, were constantly being let down by the export-orientated beef industry in Australia," David says.

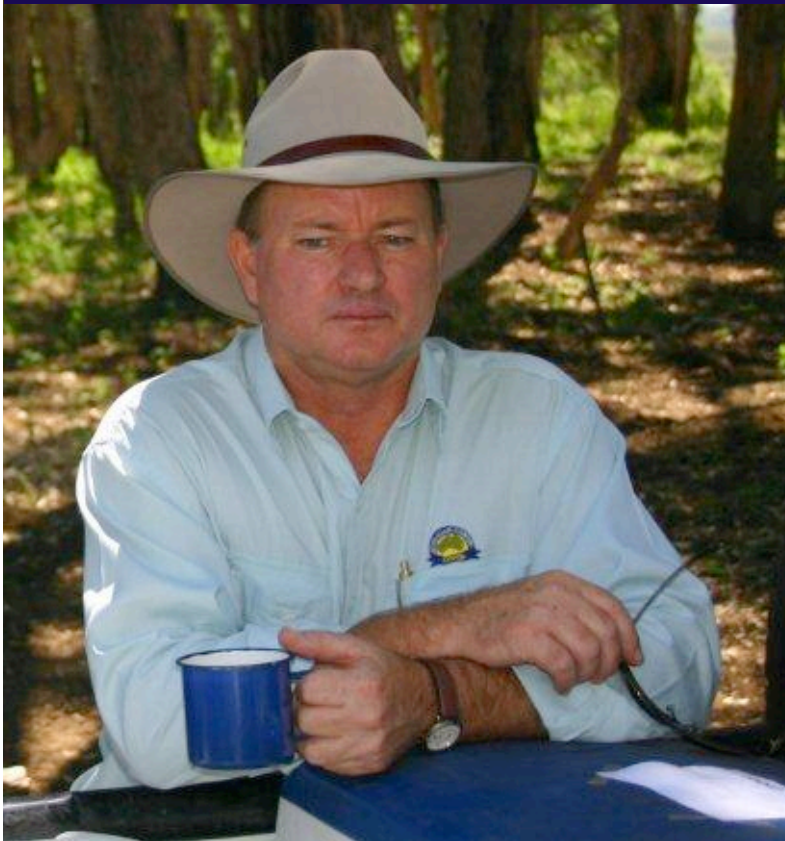
"With 70 per cent of beef being exported, Coles was always playing second fiddle to the strong export industry. Not only were Coles let down in supply but they were often held to ransom on price and generally received average quality and inconsistent quality beef."

"This made it nearly impossible for them to develop a meat offering to the standard and specifications they required."

The Lee family saw this domestic supply issue as an opportunity and put forward a proposition to Coles to develop a world class vertically-integrated supply chain whereby it could breed, background, lot feed and process cattle for Coles.

Since then, the Lee Group – which owns ACC and is one of Queensland's largest privately owned family companies – has invested more than \$350 million dollars in its business to own or manage each key stage in the beef supply chain. The success speaks for itself.

Thirty-five years after ACC first began as a casual supplier to Coles, it has become its principal supplier and processor. Its size and scale is now so vast that ACC can supply more than 73 million kilograms of beef products – the equivalent of more than 250,000 cattle per year – to Coles in the current financial year. The company manages more than 1.5 million acres to maintain its average herd of more than 100,000 cattle destined for its feedlots and further processing facilities. (cont p.2)



A PEOPLE FOCUS

David says it's important not to focus solely on the numbers.

"People remain the engine room of any business. For a company like ACC that operates in remote and rural locations, a team of dedicated, trusted, committed and engaged team members remains an absolute priority," he said.

To remain an employer of choice, training, safety and the wellbeing of our employees remains a high priority for Australian Country Choice.

The company's commitment to staff is underpinned by the adoption of the Zero Harm at Work program and implementation of AS 4801 Occupational Health & Safety Certification.

At the forefront of change

Being able to manage every stage in the supply chain makes ACC's operation unique. It is one of very few red meat processors in the world that breeds its own cattle, feeds them in its own feedlots before processing, de-boning, value-adding and packing the beef for retail under the one roof.

Employing 1,000 people, ACC currently has around 24,000 cattle in its intensive feeding systems and around 115,000 head on its 25 properties. It also plans to increase cattle numbers by up to 15,000 head due to current favourable seasonal conditions.

Keeping the customer satisfied A more discerning consumer

Listening to what the customer wants is crucial to success.

"The myriad of customer surveys over the years continues to throw up the same responses in terms of consumer priorities. The stand out expectation and demand is for tenderness, followed by juiciness, flavour and then texture."

"From a retail perspective, similar surveys show consumers make purchase

preferences with other priorities in mind. These are freshness, leanness, meat colour, a lack of marbling and fat colour."

"Perhaps the main change over the last 5 years is that the beef eating consumer has come to expect consistency."

Although value for money will continue to be a key driver for consumers, David says customers have shown a willingness to pay for consistent quality.

"The advent of TV reality shows such as MasterChef and My Kitchen Rules has made consumers more selective or discerning in their meat purchases."

"From a healthy living point of view I think that consumers are choosing smaller portions and items with less visible fat or products with fat declaration statements," David says.

Without having control over every stage of the supply chain, David believes it would be nearly impossible to supply the consistent high quality product demanded of Coles.

To meet consumer demand for tenderness, ACC has worked with Coles to alter its historic production systems and embraced the science of Meat Standards Australia processing technologies.

On its farms, it has also changed its feeding, nutrition and animal treatment programs and finessed the genetics of its cattle herd. Introducing rigorous grading systems and data bases has also been important.

"The result is that over the last 2 years, ACC is producing the most consistent and highest eating quality it has ever produced," David says.

Environmental practices Ensuring red meat is green

Giving red meat a "green stamp of approval" has also become more important for a more sophisticated consumer.

ACC gained its first environmental accreditations in 2001 for a variety of reasons.

"We wanted to raise awareness among staff, make the business more environmentally-sustainable and also provide protection against the ill-informed but vocal anti-farming, anti-agricultural lobby," he says.

"We wanted to be able to provide proof of our clean and green practices." (cont p.4)

Q&A

with ACC CEO, David Foote

Does your relationship with Coles help provide further insights into the needs of consumers?

ACC meets regularly with Coles to receive feedback from the Coles in-store meat case. This first-hand communication is critical in ACC being able to maintain a responsive and least-cost supply chain partner.

How is Coles helping ACC in its commitment to growing healthier beef?

Coles meat product development team works closely with ACC to constantly review the value-added beef product range to identify ways to reduce the levels of salt, artificial colourings and artificial preservatives. Coles already has low salt and preservative free products within their meat range.

Additionally, ACC processes a range of certified Organic beef for those Coles customers looking for this type of product. Coles and ACC are extremely aware that today's consumer takes food safety and healthy products as a given.

How important is Coles' commitment to running and coordinating a number of growers in different locations?

The extent of the ACC supply chain operation requires significant forward planning. It takes around three years to

achieve consumption from conception. Coles' commitment - and equally importantly Coles' understanding of the complexities, vagaries and lead times in rural production - remains paramount to achieving mutual success.

Does Coles commitment also help ACC continue to be at the forefront of new products?

The Coles product development team works directly with ACC to develop and bring new products to market. Working transparently as partners with respect and recognition of each party's limitations or expectations remains a key to success. The new Coles management under Wesfarmer's ownership is the most consumer-focused management team that ACC has had the pleasure to work with.

On product types and innovation, how are you trying to provide Coles with a point-of-difference?

The ACC integrated supply chain when combined with the Colestock program remains a significant point of difference within the beef category for Coles. Our capacity to show supply chain control from the paddock to the retail counter remains unique across Australia and in fact the world. Further, ACC's integrated central processing facility allows for primary processing, further processing (value-adding) and retail-ready packing within the one facility and cold chain for Coles.





Ensuring red meat is green

In a joint initiative project with MLA and Griffith University, ACC developed a Cleaner Production Implementation Plan which aims to modify the company's processing operations.

By 2015, the company aims to reduce total water and coal use by more than one-third, slash biosolids by 84 per cent and cut total greenhouse gas emissions by 8,027 tonnes.

Already, it has achieved significant progress in reaching these targets.

Since the plan was implemented in 2003, total water use has already been reduced by one-third, total coal use has fallen by 18 per cent, total greenhouse gas emissions have fallen by 3500 tonnes, water waste use has been reduced by 36 per cent and biosolids have been cut by 24 per cent.

ACC is also ISO certified for Food Safety, Quality and Occupational Health and Safety.

This certification (and consequent external audit) could also assist Coles in dealing with these issues given ACC's quite high public profile and recognised alignment with Coles.

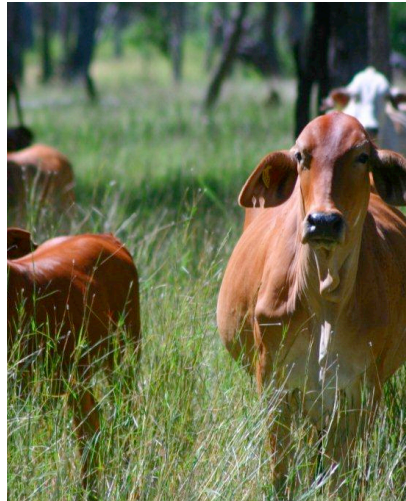
As Coles' largest meat supplier, ACC has always believed that it should operate to the highest standards in the Australian cattle and meat industry, especially in areas of food safety, environment and work place health and safety.

From plate to paddock

Australian Country Choice's adoption of leading global technologies means being able to trace the final product right back to its origin – the cattle.

Through electronic animal identification and information systems, all cattle processed can be traced from its point of origin through to when it's a packaged product ready for distribution.

This capability offers a significant marketing and food safety advantage for beef retailers. It will also provide guarantees that Coles' beef is hormone-free.



Headquarters is Brisbane

The ACC headquarters are located at Cannon Hill within the Port of Brisbane region. At over 100,000 acres in land area, this site is one of the largest industrial sites in the Brisbane area. Here, more than 850 people are employed and work together to supply over 75 per cent of in-store meats and shelf-ready meat products to Coles Supermarkets on a national basis.

The Cannon Hill processing plant is also the most modern and integrated of its type in Australia and has the capacity to handle up to 350,000 beef carcasses each year.

This all-in-one facility operates to the highest production and hygiene standards.

It is licensed by the United States Department of Agriculture, HALAL certified, Safefood Queensland Certified for Organic processing and Aus-Meat A plus rated.

All operations are under the inspection and monitoring processes of the Australian Quarantine and Inspection Service.

SOME BEEFY STATS

25

The number of ACC properties strategically located in southern, western and central Queensland. These properties are in the Blackall area, Augathella district, Mitchell district and Roma.

610,000

The number of hectares that ACC manages.

100,000

The number of cattle that ACC has in its feedlots.

1,000

The number of staff employed by ACC across its integrated operations.

73,000,000

The number of kilograms of beef products supplied to Coles in the current financial year.

100,000,000

The number of sausages, hamburger patties, rissoles, corned, marinated, coated and crumbed fresh beef products that ACC can produce and pack into retail case ready packaged products each year.