

## Dairy merger sees new group emerge with R1 billion turnover

A recent merger between Montic Dairy and Sonnendal Dairies has formed the Sontic Group with R1 billion in turnover, 800 staff, state-of-the-art processing facilities in Gauteng and the Western Cape, as well as six distribution centres across the coastal and inland regions. Novitas Capital Advisors facilitated the merger.



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The group has embarked on a programme to streamline operations and roll out higher value added products nationally. This initiative is key to meeting the price, quality and availability criteria of its customers, while delivering higher farm gate prices to its farmers. The first stage of the programme is a R70 million capital expansion programme to increase processing capacity and efficiency in order to bring down the unit cost of production.

According to Martin Swanepoel, CEO of the Sontic Group, "Our strategy is to continue partnering with our customers and our farmers to provide South African consumers with better selection, value and savings in the dairy cabinet."

The Sontic Group produces private label and name brand fresh and long-life (UHT) dairy products including milk, yogurt, maas, cream, juice and drinking yogurt. More than 70% of its sales comprise private label products that are produced under contract for retail supermarket chains that sell them under their own 'store brand'.

With store brand purchases surging in Europe and North America, South African supermarket chains are understandably eager to increase the market share of their own store brand product lines. However, this puts them in direct competition

with large national name brands.

Prior to the merger, South African supermarket chains were often forced to source private label dairy products from a mixed bag of regional processors. As such, any national store brand dairy strategy was severely limited by inconsistent quality, volumes and availability across the different regions.

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