

BUSINESS

Dairy future sours amid Maggie Beer share price plunge

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The share price of Maggie Beer Holdings has fallen sharply on the back of its struggling dairy businesses including SA-based Paris Creek Farms, which are now listed as ‘non-core’ assets.



Maggie Beer is still involved with the company as a director and brand ambassador.

The listed company announced to the ASX this morning that its earnings this financial were now forecast to be \$4.2 million lower than expected, leading to a 13 per cent fall in its share price to 40 cents per share.

The reduced earnings forecast has been driven by a \$2.8 million fall in earnings from its underperforming dairy assets, Paris Creek Farms in the Adelaide Hills and Melbourne-based St David Dairy.

Maggie Beer Holdings (MBH), which has achieved strong growth in the past 18 months through its gift basket and e-commerce businesses, has now labelled its dairies as “non-core assets”, bringing their future under a cloud.

“The Company is exploring all options in relation to these assets and expects to be in a position to update shareholders at the time of the release of our full-year results,” it said in a statement to shareholders this morning.

The overall national milk production outlook for 2021-22 shows a decline of 3 per cent.

This is further impacted in South Australia by major dairy company Beston Global Foods increasing its milk supply by 6 per cent to 155 million litres this financial year.

MBH says its dairy businesses have been significantly impacted by the flow on effects of COVID-19 and other events, with skill shortages, staff churn, increased training costs for new staff, and increased milk haulage and distribution costs.

The launch of Paris Creek Farms-branded milk in 400 grocery stores across New South Wales and Victoria in March was delayed due to the disruption in retail caused by COVID-19, together with the floods in northern NSW and Queensland.

As of this month, just 200 of the stores have started stocking Paris Creek milk with the 400-store goal now not expected to be reached until September.

“This delay has negatively impacted forecast revenue and earnings for FY22,” the company said.

“The shortage of milk in the dairy industry and high global commodity prices, are pushing up farm gate milk prices, with price increases expected to be paid to our farmers from 1 July 22.

“We will implement price increases to offset these increasing costs.”

Saint David Dairy has been impacted financially in recent months by skills and labour shortages, which have caused the loss of some customers due to supply and delivery issues.

Melbourne-based MBH chairman Reg Weine has stepped in for the short term to take over the leadership at St David Dairy following the resignation of its general manager.

The company listed as a technology firm in 2004 and moved into the food and beverage sector in 2016 when it purchased a 48 per cent stake in Maggie Beer Products.

It bought SA biodynamic dairy business B.-d. Farm Paris Creek in 2017 and Melbourne’s Saint David Dairy in 2018 before acquiring the remaining 52

per cent of Maggie Beer in 2019 and changing its name from Longtable Group to Maggie Beer Holdings in 2020 to better reflect its principal brand.

MBH acquired Hampers & Gifts Australia in May last year, helping it achieve a surge in e-commerce sales in the lead up to Christmas.

Barossa Valley food icon Maggie Beer remains involved with the company as a non-executive director and brand ambassador.

Despite the poor performance of its dairy businesses, MBH says it is on track to achieve net sales of \$95 million to \$100 million this financial year.

CEO and managing director Chantale Millard said the group and Maggie Beer Products and Hampers & Gifts Australia, in particular, had continued to perform well.

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“As with all businesses, the second half of FY22 has seen many new challenges arise, with further flow-on effects of COVID-19, increases in costs due to the devastating floods in Central Australia and Northern NSW and QLD and the war in Ukraine,” she said in the ASX statement this morning.

“With price increases being implemented across the group we expect to see our earnings growth return to expected levels in FY23.”



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