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**STRATEGY PURSUED BY INTERNATIONAL  
DAIRY PROCESSORS:  
IMPLICATIONS FOR FONTERRA**

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*To my parents,  
From whom I have learned that life  
is not a straightforward road,  
and yet a wonderful journey.  
Your lives inspire me everyday!*

## ABSTRACT

The 'dairy industry' accounts for a significant amount of wealth creation in New Zealand. It contributes 7% of the country's GDP, and between 20-25% of its export earnings. Given the absolute export orientation of land-based industries in the country, and particularly of the dairy processing industry, where 95% of output is exported, the long-term competitiveness of New Zealand dairy processors is set firmly in the international environment.

An exploratory investigation of the contextual environment of the global food value system has identified the complex relationships between food processors, food retailers, and food consumers. The observation of the actions and decisions – strategy – pursued by a group of international dairy processors over recent years reveals a strong convergence of patterns among apparently 'dissimilar' organisations.

A multiple case study approach to the research was used, supported by extensive primary and secondary data collected over a twelve month period. Nine case study companies were selected and their strategic orientation revealed. There was a high level of convergence between stated and observed strategies, and subsequent outcomes. Industry concentration, consolidation activities, and internationalisation of companies are strategies being pursued among all of the case study companies. Meanwhile, various ownership structures were found to neither hinder large dairy processors from pursuing growth strategies nor hinder them from pursuing added-value strategies.

The creation of Fonterra Co-operative Group, the country's largest organisation, and largest exporter of processed dairy products in the world, was a response by the dairy sector to the wider global consolidation/concentration trend. Now, consolidation and concentration in the dairy processing industry in New Zealand has reached a plateau. Without compromising its co-operative structure Fonterra faces the dual challenges of further internationalisation and the continued pursuit of value-added strategies as constructive means to improve shareholders' returns.

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