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What if Lactalis acquires Fonterra?

Reshaping the Australasian and global dairy landscape

REPORT PREPARED BY

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Introduction

In May 2025, Lactalis proposed an acquisition of Fonterra’s global consumer brands and Australian dairy operations, marking a major shift in the Australasian dairy sector driven by consolidation, value-chain specialization, and sustainability pressures.

In this report we'll share more explicit analysis and potential impact.

Key figures

Lactalis

Revenue (2024): €30.3B (US$34B+)
EBIT: €1.4 billion
Profit after taxes: 1.2%
Ownership: Privately owned French multinational, controlled by the Besnier family.
Global presence: Active in over 50 countries, with recent acquisitions including:

- General Mills' U.S. yogurt business (Yoplait, Liberté) – $2.1B (2024)
- Jalna Dairy Foods (Australia, 2022)
- Sequeira & Sequeira (Portugal, 2024)
- Granja Pocha (Uruguay, 2025)

Specifics: known for aggressive global acquisitions and lower transparency than listed peers.

Fonterra

Revenue (FY2024): €13.2 billion (≈US$13.5B)
EBIT: €0.96 billion
Profit after taxes: 5.1%
Ownership: Farmer-owned cooperative with ~ 9,000 shareholders
Global presence: Operates 40+ sites globally, including:

- 28 in New Zealand.
- Strategic growth focus on China and Southeast Asia.

Specifics: Consumer and Australian businesses use 15% of milk solids but contribute only 17–19% of earnings while tying up ~30% of capital.

Brands and products

Lactalis brands (existing portfolio)

- Président, Galbani
- Pauls, Vaalia
- Parmalat (legacy brand in Australia)
- Kraft (licensed cheese), Ice Break (flavored milk)
- Recently added Yoplait and Liberté in the U.S.

Fonterra brands (included in proposed sale)

- Anchor (butter, milk powder)
- Anlene (bone health milk)
- Anmum (maternal nutrition)
- Mainland (cheese)
- Western Star (butter)
- Perfect Italiano (cheese, Australia-specific)

Previous collaborations

- There is no known history of direct collaborations between Lactalis and Fonterra prior to this proposed acquisition.
- Fonterra and Nestlé jointly operated Dairy Partners Americas, a major joint venture focused on Latin America. Fonterra sold its share in 2022 to Nestlé, as part of its strategic streamlining.
- Fonterra has also worked with Nestlé on sustainability pilots, including a low-emissions dairy farm in New Zealand.
- Fonterra maintains co-manufacturing or licensing arrangements in some markets (e.g., licensing Bega-branded cheeses in Australia).

Context and background

- Australia's milk pool has declined from 11 billion liters in 2004 to ~8.3 billion in 2025.
- Over 10 dairy plants closed in the last 18 months due to supply shrinkage.
- Four processors — Bega, Saputo, Fonterra, Lactalis — now dominate 80%+ of milk processing in Australia.
- Supermarket price wars and rising costs have made Australian processing unprofitable for many.
- Meanwhile European milk pool is declining, forcing global players to seek for alternative sources.
- Asian market shows constant growth in both milk supply and consumption for dairy products.

Insights and potential impact

Competitive dynamics and potential reactions

- Lactalis could become the dominant player in many Australian dairy segments post-acquisition.
- The acquisition also gives Lactalis direct access to Oceania and bolsters its reach in high-growth Asian dairy markets.
- Post-deal, the market may evolve into a “Big Three” rivalry: Lactalis, Saputo, and Bega.
- Counter-moves by Saputo or Bega are likely—e.g., acquisitions or strategic alliances to maintain competitiveness.
- Niche players (e.g., organic or artisan dairies) may benefit from consolidation by capturing disaffected customers or unaddressed segments.
- Potentially less competition for raw milk in Australia, risking lower farmgate prices.

Regulatory oversight

- ACCC is actively reviewing the transaction and may impose conditions to preserve competition as there is a risk of duopoly with Saputo.
- FIRB will evaluate the acquisition's impact on national interest and agricultural sovereignty.
- Fonterra's sustainability initiatives (methane-reducing feeds, emissions-linked farmer premiums, etc.) could elevate Lactalis' ESG credentials—if maintained.
- Farmer sentiment may shift depending on how Lactalis continues (or changes) co-op-style engagement and sustainability support.
- There is a risk that less cooperative governance under Lactalis could reduce farmer influence over climate initiatives.

Other impact

- Lactalis could leverage Fonterra's facilities to optimize its global supply chain—e.g., streamline exports to Asia or repurpose plants for high-margin products.
- There's a potential for regional specialization of factories, with some focusing on premium cheese and others on powdered milk for infant formula.
- Lactalis might use this acquisition to launch carbon-neutral dairy branding in Asia, capitalizing on New Zealand's low-emission milk.
- Combining Lactalis' scale with Fonterra's dairy R&D could yield innovations in functional dairy and nutrition.

Summary

The proposed acquisition of Fonterra’s consumer and Australian dairy operations by Lactalis **is more than a transactional milestone.**

It reflects the evolving dynamics of the global dairy industry.

As traditional growth slows and sustainability becomes a core driver of value, the ability to scale efficiently while **innovating in high-margin, low-footprint segments** will define future leaders.

Whether this deal becomes a blueprint for strategic reinvention or a cautionary tale of over-consolidation will depend on **how effectively Lactalis integrates the assets**, honors Fonterra’s sustainability legacy, and navigates regulatory, supplier, and consumer expectations in a more competitive and conscious marketplace.

What should you prioritize now?

1. Reassess your strategic positioning in Australia and Asia-Pacific.
With Lactalis strengthening its regional footprint, review your sourcing, processing, and market access strategies—especially if you rely on shared milk pools or co-packing in Australia or New Zealand.

2. Accelerate innovation in high-margin categories.
Fonterra's R&D capabilities could give Lactalis an edge in functional dairy and nutrition. Counter this by fast-tracking development in areas like protein-enriched, gut health, or low-emission dairy products.

3. Strengthen sustainability credentials—and communicate them.
If Lactalis adopts Fonterra's climate-smart practices, they may raise the ESG bar for the industry. Proactively scale your own carbon-reduction initiatives and transparency to avoid being left behind.

4. Monitor regulatory and customer responses.
Stay alert to how the ACCC or FIRB might shape market dynamics through conditions. Engage proactively with farmers and retail buyers to reassure them of your long-term commitment and independence.

5. Prepare for consolidation or collaboration opportunities.
As the market shifts toward a "Big Three" structure, be ready to defend your share or grow via M&A, licensing, or strategic alliances—especially if you're mid-sized or regionally focused.

6. Double down on farmer partnerships and milk security.
With growing concerns about farmgate pricing and processor concentration, reinforce your farmer relationships through long-term contracts, value-sharing models, or joint sustainability programs.

If your business could be impacted, **reach out to us**. We'll provide you with tailored insights to help navigate the evolving situation.

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