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HD Rinehart moves into baby-food market

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Mining **billionaire** aims to have 16,000 cows producing formula for **China**'s infants

Gina Rinehart, the Australian **billionaire** who built her fortune on iron ore, is planning a A\$500 **million** (\$553 **million**) investment to supply infant formula to a **Chinese** market forecast to almost double over three years.

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Hope Dairies, controlled by Rinehart's closely held Hancock Prospecting, is seeking to **acquire** about 5000 ha of farmland in Queensland, and is aiming to start production in the second half of 2016, according to co-investor and director Dave Garcia.

Other Australian miners, including Fortescue Metals **Group**'s founder, have been expand into food production to tap rising demand from Asia's middle classes.

The move positions Rinehart, the richest woman in Asia, to compete in an infant formula market in **China** forecast to swell after the world's most populous nation loosened its one-child policy last year.

"There's another 50 **million** mouths probably coming online," Garcia said.

Hope Dairies, named after Rinehart's mother, is seeking pasture in Queensland's South Burnett region and a processing facility in Mary Valley. The **dairy** farm, planned to be among Australia's biggest, may produce as much as 30,000 tonnes of formula a year, Garcia said. It will also supply UHT **milk**.

All the output is intended to be exported to **China** and the **company** will have investment partners including a **Chinese** entity, said Jason Morrison, a spokesman for Rinehart's Hancock Prospecting.

Morrison said Hope Dairies would be 70 per cent owned by Rinehart, but declined to name the **Chinese** partner before an official announcement scheduled for today.

A free-trade deal with **China**, expected to boost **dairy** exports, may be signed next week, Australia's Prime Minister Tony Abbott said this week.

"There is an enormous opportunity for the processors here," said Michael Harvey, a Melbourne analyst at Rabobank International. "Overseas markets for infant formula are growing rapidly and **China** is the standout because of the size of the population and the birthrate they have."

The market in **China** for infant formula could grow to \$33 **billion** by 2017 from about \$18 **billion** now, according to Fonterra Co-operative **Group**, the world's biggest **dairy** exporter.

Rinehart's planned operation would employ about 400 people and produce about 70 to 75 per cent of its own **milk** from a herd of about 16,000 Holstein cattle, Garcia said.

In May, **China** tightened standards on imported formula after concerns over contamination. Fonterra had exports of two products suspended for 15 months from August last year after a botulism scare that was later proved to be a false alarm. In 2008, **Chinese**-made **milk** powder contaminated with the chemical melamine killed at least six infants in **China**.

Rinehart's **dairy** will seek to use labelling that would enable customers to check the specific animals that produced **milk** used to create each package of powder, Garcia said.

Demand in **China** could rise further as the birthrate increases by two **million** a year because of the easing of the one-child policy, according to the country's National Health and Family Planning Commission.

Urbanisation could also bolster demand for formula, as the World Health Organisation says mothers in towns and cities are less likely to breastfeed than women in rural areas.

Australia's Trade Minister, Andrew Robb, told a **dairy** conference in September that the country had to seize on a chance to feed Asia's expanding middle class.

"The opportunities are immense and they are once in a lifetime, almost once in a millennium," Robb said. "We have to position ourselves."

Rinehart, Hancock Prospecting's chairman, has long ties to agriculture and spent part of her childhood on the Mulga Downs station in Western Australia.

Her father Lang Hancock's discoveries of iron ore in the state from the 1950s spurred the nation to become the world's biggest exporter of the steelmaking ingredient and helped make his daughter the country's richest person.

In July, she bought a 50 per cent share in two cattle ranches in Western Australia's West Kimberley.

Andrew Forrest, the **billionaire** founder of iron ore producer Fortescue Metals in May acquired Harvey Beef, Western Australia's only licensed beef exporter to **China**.

Rio Tinto **Group**, Rinehart's partner in the Hope Downs iron ore mine, is one of Australia's biggest cattle ranchers.

Milk producers are also expanding exports. Norco Co-operative is to more than double fresh **milk** sales to **China** and Bega **Cheese** has struck a distribution deal to supply UHT **milk**.

Expansion by domestic infant formula producers in **China** risks moving the market into oversupply, UBS analysts led by Christine Peng wrote in a June note.

Total consumption in **China** could peak in 2018, Macquarie **Group** has forecast.

But exports of whole **milk** powder, which includes infant formula, from Australia to **China** almost tripled to 17,592 tonnes in the 12 months to July last year compared to the previous year, according to industry researcher **Dairy** Australia.

Australia is the world's third-largest whole **milk** powder exporter, and produces at least 70,000 tonnes of formula a year.

Bloomberg

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