

SE **Business**  
HD **Bega to supply milk to China in \$100m deal**  
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WC 533 words  
PD 20 September 2014  
SN The Australian  
SC AUSTLN  
ED Australian  
PG 28  
LA English  
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AUSTRALIA'S specialist Bega **Cheese company** will become a **milk** processor, trader and exporter in a single move with the announcement yesterday of a pioneering \$100 **million milk** sales deal with **China**.

Chairman Barry Irvin and chief executive Aidan Coleman yesterday signed a supply and distribution agreement with the Chongqing General Trading **Group**, the largest food and supermarket retailer in the Chongqing region of southwest **China**.

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The five-year deal will see the listed **cheese company**, which also owns the Tatura **milk** powder and infant formula **brand**, export 20 **million** litres of long-life UHT Bega branded **milk** annually to CGTG's 300 supermarkets in southwest **China**.

In Chongqing for the formal signing yesterday, Mr Coleman signalled the move was the first step in Bega both extending its range of Bega-branded **dairy** products beyond **cheese** and moving towards large-scale UHT export **milk** production in the future.

CGTG commands a 50 per cent share of all food and general merchandise sales to the region's 32 **million** people.

Chairman Dr He said demand in Chongqing for high quality protein — especially **milk** and **dairy** products produced in Australia with a reputation for being high-quality, healthy and safe — was soaring.

"**China**'s consumption of **milk** and **dairy** products is increasing rapidly; CGTG is excited to work with Bega to satisfy that need and to have an Australian icon on our shelves," Dr He said.

The deal is likely to require Bega **Cheese** to build a new UHT **milk** processing plant, most likely in Victoria's Gippsland region, as it processes no fresh **milk** itself.

It is understood that Bega will have its new UHT **milk** cartons bound for Chongqing — the deal starts immediately — supplied under contract by another processor for the first six months, as it locks in supply contracts for another 20 **million** litres annually from its farmer suppliers.

It appears Bega has **sold** its Australian-produced and processed Bega UHT **milk** to CGTG for the price of just \$1 a litre, much lower than the \$10 a litre being paid in **China** for Norco's fresh **milk** airfreighted from Australia.

But the UHT long-life **milk** treatment will allow Bega to ship rather than fly its **milk** to **China**, as well as representing a foot-in-the-door deal to build goodwill between partners.

The Bega-CGTG agreement was brokered by boutique Australian food importer O'Fresh **China**, headed by Shanghai-based former ALP Queensland minister for natural resources and water Craig Wallace.

Mr Wallace and his **business** partner, Lee Bermingham, yesterday predicted **China**'s growing middle class would continue to look to Australia as a source of quality food for many years to come.

Mr Bermingham, who handled most of the negotiations at the Australian end, said more Australian companies wanting to export should consider partnering with **Chinese** domestic players such as CGTG.

"**China**'s system of permits and import requirements is very different to that of Australia," Mr Bermingham said.

"Couple this with regional marketing and distribution needs, and negotiating successful sales in **China** can be daunting."It requires patience and hard work," he added.

**CO** becoop : Bega Cheese Ltd

**IN** i4131 : Non-frozen Dairy Products | i010010502 : Dairy Cattle Farming | i0 : Agriculture | i01001 : Farming | i0100105 : Cattle Farming | i41 : Food/Beverages/Tobacco | i413 : Dairy Products | icnp : Consumer Goods | ifood : Food Products | ilsfarm : Livestock Farming

**NS** ccat : Corporate/Industrial News

**RE** austr : Australia | china : China | chongp : Chongqing | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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**AN** Document AUSTLN0020140919ea9k0006b