

HD Selling milk to China online

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THE premium milk company backed by Sydney's Perich family is in advanced negotiations to sell fresh Australian milk.

A2, which is listed on the New Zealand sharemarket and 17 per cent-owned by the Perich-family controlled health food company Freedom Foods, has struck a deal with Chinese online retailer Jingdong to offer fresh Australian milk to the 500,000 registered users of the site.

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The milk, which is produced at a2's Smeaton Grange processing facility outside of Sydney, is being sold direct to Chinese consumers over the internet at an average price per litre of 48 yuan, which converts to about \$8.60. The prices have been as high as 60 yuan.

While regular cow's milk contains a blend of the A1 and A2 beta casein proteins, a2 claims it is the only company that processes milk exclusively containing the A2 protein, which many people say is easier to digest than regular milk.

After several months of trials the first delivery of a2 milk on Jingdong was made on August 29 and a2 plans to ship at least 1.5 million litres of fresh milk to China over the next 12 months. It expects demand to at least double each year.

"Jingdong developed a strategy for a new business stream which was high quality fresh foods that consumers can order and have delivered to their door within 24 hours. They were looking for a premium high quality fresh milk to be one of their leading brands on the platform and they came to us," a2's general manager Asia, Phil Wohlsen, told The Australian from Shanghai yesterday.

A2 also has a long-life UHT milk product that it supplies to China, and Mr Wohlsen said that with fresh and UHT milk combined, the company could "easily supply 10 million litres (to China) within two years and 20 million after that with fresh milk being the flagship".

In July, a2 also received approval from the Chinese authorities to resume shipments of its Platinum brand infant formula after a break of more than two months following the contamination scare that hit New Zealand dairy giant Fonterra. The infant market in China is expected to double in size by 2020.

a2 is now targeting a launch on Alibaba's online retail platform Tmall by the end of this year; it's one of the most visited websites in China.

"Alibaba is the next big opportunity. Their platform is Tmall and Tmall are very interested," Mr Wohlsen said.

The group is also getting some interest from high-end supermarkets in China.

NSW dairy co-operative Norco is already supplying fresh milk into Chinese supermarkets and plans to more than double sales under a new distribution agreement with a Chinese importer. Its milk is selling for the equivalent of about \$9 per litre in Shanghai.

"Good quality milk from Australia, with several brands operating, overall is a good thing because it builds that overall story for Chinese consumers.

"They can buy into good-quality fresh milk that is getting into China in good shape and being delivered to them in good position," Mr Wohlsen said.

The comments came as federal Agriculture Minister Barnaby Joyce said Australian **dairy** farmers should welcome **Chinese** investment, which aimed to lift output and help improve productivity from current levels across the industry.

Mr Joyce this week toured the Wondersun **Dairy** in the Heilongjiang province in **China**'s northeast, which has a herd of 2300 cows sourced from Australia.

The cows are milked three times a day, producing about 36 litres a day each, compared to twice a day, which is the industry standard in Australia.

Additional reporting: Scott Murdoch

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