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HD **Bega to supply milk to China in \$100m deal**
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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

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