

SE **Business**

HD **Free-trade deal brings New Hope**

BY Tim Binsted

WC 486 words

PD 19 November 2014

SN The Age

SC AGEE

ED First

PG 38

LA English

CY © 2014 Copyright John Fairfax Holdings Limited.

LP

Agriculture - \$500 **million** boost for Australian **dairy**

**Chinese** giant New Hope will invest up to \$500 **million** in Australian **dairy** farms and processing plants as part of a deal with ASX-listed Freedom Foods in what could be the first of many deals fuelled by the historic **China**-Australia free-trade agreement.

TD

Freedom Foods and the Perich **Group** said yesterday they had signed a memorandum of understanding with New Hope, **China**'s biggest private **company** with interests in agriculture, financial services and real estate.

"With increasing demand from markets in **China** and south-east Asia for high-quality, value-added product, Australia - through companies such as Freedom Foods and Perich **Group** - is well placed to play an important role in the development of this supply chain," Freedom Foods managing director Rory Macleod said.

To secure **milk** supply, New Hope has established a fund of up to \$500 **million** to invest in **dairy** farms and **dairy** processing.

Freedom Foods said it had built on its supply arrangements with New Hope for long-life **milk** and it was considering collaboration in other strategic branded **dairy** operations in Australia and overseas to take Freedom Foods products to **China**.

Perich **Group**, New Hope and other investors will contribute most of the **equity** for farm investment, which will start next year.

News of the deal comes on the back of the free-trade agreement with **China** that gave Australia unprecedented access to the **Chinese** market.

**Dairy** producers fared particularly well, with all tariffs - up to 20 per cent - on Australian **dairy** eliminated in four to 11 years, depending on the product.

"We couldn't wish for a better deal. The agreement will do for us what it did for New Zealand. New Zealand **dairy** trade with **China** exploded after they signed their deal [in 2008]," Murray Goulburn managing director Gary Helou said.

Murray Goulburn collects almost 40 per cent of Australia's 9.1 **billion** litre **milk** pool and is the nation's biggest **dairy** exporter. The **company** plans to raise up to \$500 **million** by listing a unit trust on the ASX next year. Mr Helou said he could **buy** a **stake** in a **Chinese** player or invest in distribution channels.

Ten years ago **China** imported about \$200 **million** in **dairy** product. Today it imports about \$6 **billion** annually and growth is not slowing.

Barry Irvin, the chairman of ASX-listed Bega **Cheese**, said conversations were ongoing with **Chinese** partners and the free-trade deal had accelerated those talks. "It's the start of another phase in **dairy**... There is great interest from **Chinese dairy** companies in Australia," he said.

In September, Bega signed a \$100 **million** UHT **milk** deal with **China**'s Chongqing General Trading **Group**.

"You will see more announcements come [in **dairy**]. There is a ramp-up of inquiry [from **China**]," Mr Irvin said.

**NS** e512 : Physical Trade | e51 : Trade/External Payments | ecat : Economic News

**RE** china : China | austr : Australia | nz : New Zealand | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dypcoz : Developing Economies | easiaz : Eastern Asia

**PUB** Fairfax Media Management Pty Limited

**AN** Document AGEE000020141118eabj0001g