

FINANCIAL REVIEW

SE Property
HD **China dairy** sour on management
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Despite all the hype around **Chinese** investment in the Australian **dairy** sector, one **Chinese** investor who bought a **dairy** farm five years ago has lost money and will not **buy** again.

Longyuan International purchased the 500-hectare Malmo Farm near Cobram in Victoria for about \$6 **million** in 2008 but has just **sold** out to ACE Farming **Company**, formerly owned by Valad Property **Group**.

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"We lost money so we **sold** the farm," Longyuan International manager Rosemary Hu told The Australian Financial Review. "We didn't understand the management; it was hard to find good management."

Her experience represents one of the greatest challenges facing new investors in Australian agriculture: suitable management. "We don't want to invest in **dairy** farms any more, it's too hard," Ms Hu said, "We might look at other agriculture."

There have already been a number of quiet **Chinese** purchases of **dairy** farms in Victoria over the last 12 months. They include Xiang Pty Ltd's \$7 **million purchase** of the 400-hectare certified organic **dairy** farm The Bluff at Tarwin Lower.

The **Chinese** interest in **dairy** farms comes at a time of profound demand for **dairy** products in **China**. NSW **dairy** co-operative Norco, headed by Brett Kelly, has made huge inroads to the market. Norco will more than double sales of fresh **milk** to **China**, where it is now retailing it for a hefty \$9 a litre.

Despite Ms Hu's warning about the troubles associated with trying to manage **dairy** farms in Australia, other **Chinese** companies are taking the chance.

One of **China's** biggest **milk** companies, Ningbo **Dairy Group**, has already started to **buy** small **dairy** farms in Victoria and is planning to invest further.

Ningbo, trading as Australian Youyou **Dairy**, made a \$6.2 **million purchase** of a 240-hectare **dairy** farm at Kernot in Victoria's south. That **sale** set a price of \$21,000 a hectare and has surprised many farmers. Ningbo **Dairy** vice-president Harry Wang told media last week his **company** wanted to own enough farms to produce and fly 100,000 litres of fresh **milk** a day direct from Australia to **China**.

Corporate activity in the **dairy** sector has been hot this year, with Canada's Saputo taking over Warrnambool **Cheese & Butter**, while **Hong Kong** businessman William Hui snapped up United **Dairy** Power for \$70 **million** in March.

The activity has also **lead** to the creation of the new Australian **Dairy** Farms **Group** which raised about \$9.5 **million** last week through Bell Potter to **acquire** two **dairy** farms near Warrnambool, with plans to list on the Australian Securities Exchange in early October.

CO valpgp : Valad Property Group | blgrou : The Blackstone Group LP

IN i010010502 : Dairy Cattle Farming | i413 : Dairy Products | i0 : Agriculture | ireest : Real Estate | i01001 : Farming | i0100105 : Cattle Farming | i41 : Food/Beverages/Tobacco | icnp : Consumer Goods | icre : Real Estate/Construction | ifood : Food Products | ilsfarm : Livestock Farming | i81502 : Trusts/Funds/Financial Vehicles | i8150206 : Investment Trusts/Funds | i815020602 : Real Estate Investment Trusts | ifinal : Financial Services | iinv : Investing/Securities

NS ccat : Corporate/Industrial News

RE austr : Australia | china : China | victor : Victoria (Australia) | zheji : Zhejiang | 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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