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 HD **Selling milk to China online**
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EXCLUSIVE THE sharemarket-listed premium **milk company** backed by Sydney's Perich family is in advanced negotiations to sell fresh Australian **milk** on the booming Alibaba online retail platform in **China** after striking a deal to supply fresh **milk** direct to homes in Beijing, Shanghai and Guangzhou.

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.

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