



HD White Gold

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The Tasmanian dairy industry is at the forefront of plans to boost exports into China.

PIP COURTNEY, PRESENTER: Australian dairy is on the threshold of a new era. The industry may have had little to celebrate about this week's signing of the Australia-Japan free trade deal, but it's still looking to expand into Asia.

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China is widely viewed as the land of opportunity and Tasmanian dairy is at the forefront of plans to boost exports, as Fiona Breen reports.

FIONA BREEN, REPORTER: Clean air, lush grass and spectacular views - it's a good life for these dairy cows and paradise for former Sydney vet turned farmer Mel Korpershoek and her Tasmanian husband, Scott.

SCOTT KORPERSHOEK, DAIRY FARMER: It is a beautiful part of the world. We're very lucky to be milking cows on this lush green grass here, so it's good stuff.

MEL KORPERSHOEK, DAIRY FARMER: There's not a day where you come up to the top of the hill and don't think how lucky you are to look out there and see that beautiful view, to have the resources around us that we have. It's really fortunate.

FIONA BREEN: The timing of their succession onto the family dairy farm couldn't be better.

Milk - or 'white gold', as some are calling it - is in demand. The island state's farmers can't produce enough of it.

SCOTT KORPERSHOEK: Yes, there'd certainly be a lot of room here to grow. And the 40 per cent they're asking for, I think it's achievable. We need a lot of young people to come into the industry. We've got to retain people in the industry. And I think, just in general, just got to keep building the confidence because confidence is a big player.

FIONA BREEN: Industry body Dairy Tasmania has set a growth target. It wants farmers to increase milk production by 40 per cent over the next five years - an ambitious aim maybe, but most in Tasmania believe it can happen.

SCOTT KORPERSHOEK: Just in our family alone in the last few years, there's actually a couple more farms come in, with the extended family and my cousins and stuff. So, yes, there is a lot of young people getting into it. We just need more.

FIONA BREEN: There's a big push for other farmers, including croppers, woolgrowers and beef farmers, to convert their properties to dairy. There's an industry target for conversions - 50 in five years.

MARK SMITH, DAIRY TASMANIA: We need some of these landowners as well who aren't in dairy now to see what they can achieve under a dairy operation and be prepared to look at investing into that, into part or all of their operation.

FIONA BREEN: It's expensive to convert, though, isn't it? Is it realistic for some Tasmanian farmers?

MARK SMITH: Well I think it is because a lot of those farmers have got good **equity** in their businesses and what **dairy** can give them with a bit of capital injection is a really good cash flow, which they haven't had from other enterprises.

FIONA BREEN: It is happening and it's happening across the State in some unusual places. There's been some multi-**million**-dollar conversions in the Northern Midlands, an area known internationally for its fine wool farming. New irrigation schemes opening up right down the middle of the State has made the decision easier for some.

Tasmania is now producing 9 per cent of the nation's **milk** and that number is rising.

MARK SMITH: Production, actually, in the last three or four months has been picking up at the rate of 10 per cent to 15 per cent per month. So it shows you what can happen with a good season and a good **milk** price, which is what we have had. So I think next year we'll actually pick up, I think, 10 per cent-plus as long as our season is OK, **milk** price stays at a reasonable level, which we think it will. We'll get 10 per cent to 15 per cent annual growth next year and that sets us on that track to get us that 40 per cent.

FIONA BREEN: But to maintain the momentum, **dairy** industry analyst Steve Spencer believes governments and the industry need to court outside investors.

STEVE SPENCER, **DAIRY** ANALYST: The external capital is critical - there's a lot of external capital looking at agriculture, looking at **dairy**, so we've got to get better at converting that into projects.

FIONA BREEN: **Dairy** Tasmania is putting the feelers out. Advertisements were placed in New Zealand magazines and newspapers, extolling Tasmania's virtues. A team from **Dairy** Tasmania even travelled to New Zealand's field days recently.

MARK SMITH: Being over there gave us the opportunity to talk to people face-to-face and we had some of our New Zealand Tasmanian **dairy** farmers over there as part of that, so they can speak to people one-on-one about what it's all about and give them a real perspective there.

FIONA BREEN: Expatriate Kiwi Grant Rogers hasn't looked back since moving to Tasmania's Derwent Valley in the State's south 11 years ago. Land prices were half those of New Zealand when he bought. Low rainfall and plenty of irrigation water were also winning ingredients. He's keen for more New Zealand farmers to follow.

GRANT ROGERS, **DAIRY** FARMER: There's one Kiwi consortium that signed on a farm not far from here to convert it and I've shown a number of investors around the region and, look, they all see what we saw a number of years ago. So it's got a huge future. There's a lot of people looking at the moment and, you know, we've got one investor up on a farm not far from where I am here and there'll be more to come.

FIONA BREEN: In a bit of a hiccup, investment in Tasmania's biggest **dairy** operation, at Woolnorth, in the State's far north-west, appears to have stalled.

Last year, the Van Diemen **Company** announced a \$180 **million** expansion plan for 26 new dairies and 30,000 cows. While the expansion has started, its completion hinges on outside investment which hasn't yet happened. It's understood the **company** is still in talks with potential investors. **Dairy** Tasmania is not worried.

MARK SMITH: There's a few farms that have started up this year, whereas what we're seeing elsewhere in the country is a continual reduction in the number of **dairy** farms that are operating.

FIONA BREEN: Competition between the big **milk** companies is growing in Tasmania, ever since a new player set up in the north-west of the State 18 months ago.

Tasmanian **Dairy** Products, of which Devondale Murray Goulburn is a 75 per cent shareholder, has just opened an \$80 **million milk** powder plant in Smithton.

RICHARD FISHER, TASMANIAN **DAIRY** PRODUCTS: Yes, we've only been running for 18 months and it's a fantastic piece of shiny new equipment that we get to play with each and every day of the week and based on that new equipment, we're producing world-class product from world-class **milk** that comes from Tasmania.

FIONA BREEN: So far about 75 local **dairy** farmers have made the switch to supply the new processor. They've jumped ship from the other **milk** factories in Tasmania, owned by Fonterra, National Foods and Cadbury.

The Tasmanian **Dairy** Products factory has gone from zero to 150 **million** litres in 18 months.

TONY CANTANIA, TASMANIAN DAIRY PRODUCTS: We've been here now for about two years and we've been incredibly competitive on our milk price, which is important for all farmers in Tasmania.

FIONA BREEN: It's producing full-cream and skim milk powder for the Asian and Middle East markets and has the capacity to process more than 350 million litres of milk each year. At the moment it's operating at about 50 per cent capacity.

Major shareholder Devondale Murray Goulburn wants more milk.

GARY HELOU, DEVONDALE MURRAY GOULBURN: This is a milk powder plant that is going to most likely focus on investment in nutritionals and baby powder, infant formula and follow-on formula.

FIONA BREEN: It's great news for the local north-west Tasmanian economy, which has been plagued by high unemployment levels.

Local milk trucking company Wynyard Transport is one of the winners. Its business has tripled since Tasmanian Dairy Products opened.

TRISTAN HUTTON, WYNYARD TRANSPORT: We had on, the first day down here, we had eight drivers start up. Two of them only had, prior to coming on with us, had experience of collecting milk. So like I said, it was eight drivers. Six drivers had to be virtually trained up from day dot and there was quite a bit of time with me sitting in the passenger seat, quite a few hairy moments, but they've been fantastic. The guys that we had come on were just magnificent.

FIONA BREEN: Wynyard Transport has bought three new 33,000-litre trucks to carry their milk. There's room for more milk and even more trucks.

TRISTAN HUTTON: All good for business, all very good. So it's been good for everyone, I think, on the north-west coast. Well, as far as Deloraine now, as far as farmers go. The opportunity for them to have a choice in which company they supply and we're only too happy to come and collect their milk if they want to switch over.

FIONA BREEN: Tasmania's Premier, Will Hodgman, eager for investment, launched Murray Goulburn's \$14 million upgrade at the company's Edith Creek plant.

The company wants to update these production lines so more and more UHT drink products can be packaged for the Asian market. Steve Spencer believes Australia's governments, State and Federal, could do more to help the dairy industry grow.

STEVE SPENCER: I think the growth that others have achieved have been partly aided by the way that governments can open doors. So when new arrangements or growth opportunities are forged with many of these overseas markets, particularly in the Asian region, it does depend on some government-to-government relationships to ensure that trade can be facilitated and certain protocols achieved.

And so, certainly the direct feedback we've had from people operating in a number of those regions is that it's very important for government to be at the table to open greater links, because there's always a government rep associated with a company over there.

FIONA BREEN: Devondale Murray Goulburn's investment in Tasmania is part of a bigger plan that involves millions of dollars of capital investment across Victoria as well.

The company's chief, Gary Helou, is on a mission to extend the company's reach across Asia.

GARY HELOU: It's growth to expand into Asia. And the world market is rapidly growing, particularly in Asia - demand is growing at better than 6 per cent per annum, volume-based, compound. Supply is no better than 2 per cent to 3 per cent. So there's a massive disparity between supply and demand.

Australia, over the last ten years, has not done very well in terms of its share of that world trade. We actually declined.

FIONA BREEN: His plan is to bypass local Asian distributors and wholesalers and put Murray Goulburn people on the ground in China, Singapore, Vietnam and Dubai.

GARY HELOU: We think you need to own the value chain and have a point of influence all the way to consumption. So you'd need your own, in simple terms, your own warehousing systems, you need to have your own salespeople who are calling on these customers, advocating your brand, and your own marketing campaign to communicate the brand and its point of difference.

FIONA BREEN: It's already on the way. The Devondale Murray Goulburn **brand** is increasing its reach into Asia, selling more than 30 **million** litres of long-life **milk** into **China**.

GARY HELOU: When they **buy** Devondale, they're buying a premium product, they're buying a safe product, they're buying a functional product. So these are three big drivers for us.

The premium is delivered through the price, obviously. To give you an idea, a litre of **milk** in this country sells for about \$1 a litre. In **China**, we sell on shelf for about \$3 and \$5, between \$3 and \$5. So massive premium capability to be extracted by positioning your **brand** well and delivering on the promise.

FIONA BREEN: If an ambitious plan to raise another \$500 **million** for capital investment does go ahead, that reach could go even further.

GARY HELOU: I think it's important to have the funds to invest in cutting-edge manufacturing capabilities. It's very important to have these funds coming through external investors, or even internal investors, but in a way that doesn't jeopardise the balance sheet.

FIONA BREEN: New Zealand-based multinational Fonterra is Murray Goulburn's biggest competitor in the Asian market and Australia is Fonterra's second-biggest **milk** supplier.

BRUCE DONNISON, FONTERRA: What we've found in recent times - in particular, those emerging, growing markets around the world - one of the key things that they're looking for is security in food and are willing to pay for the ability for that to happen. Australia and Tasmania and Australia from that context is a great opportunity to see security of a supply chain. They're willing to pay for that.

FIONA BREEN: Tasmanian **dairy** farmers pull their weight - providing 460 **million** litres of **milk** each year for Fonterra. It's processed at three plants across the State, including this Wynyard operation in the north-west. It's producing blocks of **cheese** for the commodities market in South-East Asia.

BRUCE DONNISON: So the **cheese** coming from our **site** at Wynyard, for example, in Tasmania, produces **cheese** that then goes into Japan or Korea that's used as an ingredient towards a flavour enhancer in processed **cheese**, which is then used into the consumer world.

FIONA BREEN: Fonterra is targeting the Asian markets with new products. Consumers in the countries it exports to around South-East Asia often **buy dairy** products for their health benefits more than their texture or taste.

BRUCE DONNISON: When you get down to the crux of **dairy**, it's about protein and how you can get a source of protein that is consistently available for all demographics and Japan, in particular, where you have schoolchildren taking flavoured **cheese** sticks off to school. It's not necessarily about the novelty of it, it's about making sure they have access to protein.

FIONA BREEN: Like all the **dairy** processors in Tasmania at the moment, Fonterra's three factories are not always working at capacity. The **company** is right behind a big Tasmanian push to increase the number of **dairy operations** in the State.

BRUCE DONNISON: I want more **milk** and not only more **milk** to fill the assets, but there's a great opportunity out there in the marketplace and farmers love the opportunity to see their **milk** go into products, whether it be here domestically or offshore.

FIONA BREEN: It's good news for the south of the State and Grant Rogers. Fonterra has agreed to be the second processor to pick up **milk** from the Derwent Valley.

GRANT ROGERS: Oh, it's huge. Yes. Yes, it's massive. It's made my day. Look, we moved here and had a vision of what this place will end up looking like and now there's actually the opportunity for that to happen. My wife and I saw firsthand in Canterbury what dairying did for the community and for businesses and, you know, schoolchildren for schools. You know, I was talking to my electrician the other day and I said, 'You know, if it happens, there'll be room for three or four of you in the valley.' We'll need machinery technicians down here. You know, there'll be irrigation companies based in Hobart rather than in Launceston. Just... the potential's huge.

FIONA BREEN: It's not the only **dairy** processor in Tasmania considering extending its reach for **milk** pick-ups.

MARK SMITH: One of the greatest changes here for Tasmanian **dairy** farmers is that competition now for **milk** - that they've got a choice of who they sell their **milk** to. That hasn't happened up until the last couple of years, with TDP coming into the marketplace. So it opens up a whole new era, really, for Tasmanian

dairying, where there's competition and there will be companies who will be probably providing additional incentives for farmers to **buy** their milks.

FIONA BREEN: Renewed confidence in Tasmania's **dairy** industry is reflected in the farm gate **milk** price. It's increased on average by \$1.50 a litre.

This season, the prices are looking good as well. Tasmanian **Dairy** Products has announced a record opening price at \$6 per kilogram of **milk** solids, an increase of 7 per cent on last year.

Fonterra is offering just under that. It's no wonder Tasmanian farmers were found in a recent survey to be the nation's most optimistic. Nevertheless, Steven Spencer is warning everyone to take a deep breath. There's a lot of work to do yet.

STEVEN SPENCER: There isn't a bonanza. I think the extent to which a bonanza is played is a bit overplayed. It's still a competitive market, there are still commodities that go into a food supply chain, but it has got fast growth and when you get a market like that that's so hungry, it tends to mean the prices **firm** and improve over time. We've seen that over time. **Dairy** prices have continued to rise steadily. So that's what we're trying to back, is getting access to that growth in unit price over time with an expanding volume.

SCOTT KORPERSHOEK: We've invested a lot of money. We continue to invest money. Look at growing our herd, growing our output of **milk** production. So I'm pretty confident in the industry as a whole, yes.

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