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HD **Chinese** appetite for local **dairy** 'growing'
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Chinese retailers and **dairy** groups are circling Australia's largest **milk** processor, Murray Goulburn, as Asian **dairy** demand continues to outstrip supply, says managing director Gary Helou.

Speaking after the release of the **company's** annual profits, which included a 30 per cent surge in export sales to \$1.5 **billion**, Mr Helou said he was constantly fielding queries from **Chinese** companies wanting to invest in Australian **dairy**.

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"**China** and indeed all of Asia is deficient in being able to supply its own **dairy** requirements, and **milk** from Australia and New Zealand has a prime quality and safety proposition as well as being very close geographically," he said.

"The mindset of the **Chinese** is that it would be best to partner with a local supplier with an integrated supply chain ... the big **dairy** players in **China** are looking at forging partnerships with integrated processors like Murray Goulburn. We are in dialogue with many people," he said.

The comments came as New Zealand **dairy** co-operative Fonterra announced a deal with **Chinese** baby food **group** Beingmate to distribute Australian-made baby formula in **China**, while selling a half-**stake** in Fonterra's Victorian formula manufacturing plant to the **Chinese**.

Murray Goulburn reported an annual profit of \$29.3 **million**, down from \$34.9m as farmgate **milk** prices rose by 37 per cent, while sales were up 22 per cent to \$2.92bn. The farmer-owned co-operative cemented its position as Australia's biggest **milk** processor during the year, taking in 3.4 **billion** litres of **milk**, equivalent to 37 per cent of national production and up from 33 per cent in the previous financial year.

The bottom line did not include a \$36m windfall profit on the **sale** of the **company's** 17.7 per cent **stake** in fellow Victorian **dairy** processor Warrnambool **Cheese & Butter** to Canadian **dairy** major Saputo, whose \$500m-plus takeover bid for WCB stalled at 87.9 per cent after rival **dairy** player Lion refused to sell its 10 per cent **stake**.

"We're retaining that to support the balance sheet — we bought the shares as an investment, so we're retaining the proceeds as **equity** because we have a very ambitious growth strategy," said Mr Helou.

Murray Goulburn has already spent or committed \$310m of a planned \$500m investment in new manufacturing capabilities, including \$160m on two plants to supply Coles with housebrand **milk** under a 10-year contract that Mr Helou said will add \$200m to annual revenue from this year forward.

The **company** is also planning to raise up to \$500m via a trust structure that will pay dividends to investors but not allow them to vote on matters controlled by farmer-shareholders, with the funds to fuel Murray Goulburn's Asian expansion strategy. The capital raising is subject to shareholder approval at a meeting to be held in January or February next year.

Having missed out on WCB, Mr Helou said he could also look domestically for acquisitions. "I am a **firm** believer that the market will consolidate further — I'm not going to be agitating for that, but I will certainly be looking for further opportunities," he said.

CO mryglb : Murray Goulburn Co-operative Company Limited

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