

SE **Business**
HD **Infant formula maker sued over sourcing of milk powder**

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Courts

A group of Chinese investors is suing a Melbourne infant formula maker for almost \$4 million after it sourced its milk powder from New Zealand instead of Australia.

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Hong Feng Investments claims that Milk Powder Solutions, in Braeside, made false and misleading statements to secure a contract to supply infant formula to China.

The court action comes as Australian and international dairy companies position themselves to capitalise on the Asian boom, which is being fuelled by a growing Chinese middle class and changes to a more Western-style diet.

According to Federal Court documents, Jenny Feng, a Milk Powder Solutions employee, told Hong Feng's Australian sales and marketing manager, Ben Shi, in July 2011 that it used milk powder "entirely from the Tatura region of Victoria".

Ms Fang told Mr Shi that Milk Powder Solutions director Simon Hansford had a "special relationship with farmers in Tatura" and that its product would be of "exceptional quality as a result".

China has a strong appetite for foreign infant formula, particularly product that is made from Australian milk powder, which has a safe and reliable reputation.

Six babies died and about 54,000 more were taken to hospital in China in 2008 after a Chinese infant formula was contaminated with melamine, which causes renal and urinary problems, in an attempt to increase its protein content.

Another milk scare surfaced in August when Beijing banned products from the world's biggest dairy exporter and New Zealand's main milk processor, Fonterra, after it was discovered that some of the company's products contained bacteria that could cause botulism.

Hong Feng alleges that after it signed a contract to buy at least 160,000 units of infant formula over three years, Milk Powder Solutions said it would use milk powder from New Zealand, not Tatura, to produce the formula.

"[Hong Feng] would not have entered into the contract had it known that the product to be supplied to it was not from the Tatura region or not entirely from Australia or that the product merely qualified to attach the 'made in Australia' logo or that any quantity of the product at all would be sourced from New Zealand," it said.

Hong Feng claims it has lost a business opportunity worth about \$US3.8 million considering it would have made a profit of at least \$US23.78 a unit of infant formula.

A directions hearing is scheduled for February 7.

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