

FINANCIAL REVIEW

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HD **Freedom Foods scores day-one victory**
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Chinese giant New Hope will invest up to \$500 **million** in Australian **dairy** farms and processing plants as part of a deal with ASX-listed Freedom Foods in what could be the first of many deals fuelled by the historic **China**-Australia free-trade agreement.

On Tuesday, Freedom Foods and the Perich **Group** said they had signed a memorandum of understanding with New Hope, **China**'s biggest private agricultural **company**.

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"With increasing demand from markets in **China** and south-east Asia for high-quality, value-added product, Australia, through companies such as Freedom Foods and Perich **Group**, is well placed to play an important role in the development of this supply chain," Freedom Foods managing director Rory Macleod said.

To secure **milk** supply, New Hope has established an investment fund of up to \$500 **million** to invest in **dairy** farms and **dairy** processing.

Freedom Foods said it has built on its supply arrangements with New Hope for UHT [long-life] **milk** and it is considering collaboration in other strategic branded **dairy** operations in Australia and overseas to take Freedom Foods products to **China**.

Perich **Group**, New Hope and other investors will contribute most of the **equity** for farm investment, which will commence in 2015.

News of the deal comes on the back of Monday's free-trade agreement with **China** that gave Australia unprecedented access to the **Chinese** market.

Dairy producers fared particularly well, with all tariffs (up to 20 per cent) on Australian **dairy** eliminated in four to 11 years, depending on the product. **China** at the centre

"We couldn't wish for a better deal. The agreement will do for us what it did for New Zealand. New Zealand [**dairy**] trade with **China** exploded after they signed their deal [in 2008]," Murray Goulburn managing director Gary Helou said.

Murray Goulburn collects almost 40 per cent of Australia's 9.1 **billion** litre **milk** pool and is the nation's biggest **dairy** exporter. The **company** plans to raise up to \$500 **million** by listing a unit trust on the ASX in 2015.

Mr Helou said Murray Goulburn could **buy** a **stake** in a **Chinese** player or invest in distribution channels.

"We wouldn't rush into anything. But the capital raising is about funding our growth strategy and **China** is at the centre of those plans," he said.

Ten years ago, **China** imported around \$200 **million** in **dairy** product. Today it imports around \$6 **billion** of **dairy** annually and growth is not slowing down.

Barry Irvin, the chairman of ASX-listed Bega **Cheese**, said conversations are happening with **Chinese** partners all the time and the free-trade deal has accelerated those talks.

"It's the start of another phase in **dairy**. The most efficient and competitive supply chains can come through partnerships or contractual arrangements. There is great interest from **Chinese dairy** companies in Australia," he said.

In September, Bega signed a \$100 **million** UHT **milk** deal with **China's** Chongqing General Trading **Group**.

"You will see more announcements come. There is a ramp-up of inquiry [from **China**]," Mr Irvin said.

Key points New Hope has established a fund to invest \$500 **million** in **dairy** farms and processors. Exporters say deals in discussion before the FTA will now be accelerated.

IN i010010502 : Dairy Cattle Farming | i4131 : Non-frozen Dairy Products | i0 : Agriculture | i01001 : Farming | i0100105 : Cattle Farming | i41 : Food/Beverages/Tobacco | i413 : Dairy Products | icnp : Consumer Goods | ifood : Food Products | ilsfarm : Livestock Farming

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