

INDUSTRY UPDATES

HD Fonterra, Beingmate launch global infant food partnership

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New Zealand **dairy** giant Fonterra on Wednesday announced it will invest NZ\$1.17 **billion** (\$978.09 **million**) in forming a global partnership with **Chinese** infant food maker Beingmate and building new processing capacity to meet export demand.

The farmer-owned cooperative issued a statement saying the partnership with Beingmate would create a fully integrated global supply chain from the farm gate direct to **China's** consumers, using Fonterra's "**milk** pools and manufacturing sites in New Zealand, Australia and Europe."

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Fonterra would seek to **buy** a 20-percent **stake** in Beingmate for NZ\$650 **million** (\$543.52 **million**), and, if that gained regulatory approval, the two companies would set up a joint venture to **buy** Fonterra's Darnum plant in Australia and agree a distribution deal for Fonterra's Annum **brand** in **China**.

Beingmate would own 51 percent of the joint venture in Darnum, which produces infant formula and other nutritional **milk** powders, and the plant would prioritize supply to the **Chinese** market.

Fonterra chief executive Theo Spierings said the partnership between two leading **dairy** nutrition companies would be a game changer that would provide a direct line into the infant formula market in **China**, the fastest growing infant nutrition market in the world.

The partnership would also play a part in promoting product quality and safety standards in **China's** infant formula market and further developing **China's dairy** industry.

"By working together with Beingmate, we will strengthen our infant formula **brand** presence in **China** and link **China** to high quality ingredients from New Zealand, high value paediatric products made at Darnum in Australia, and specialty ingredients manufactured at our new plant in Heerenveen in the Netherlands and in alliance with **Dairy** Crest in the United Kingdom," said Spierings in the statement.

"We will also work with Beingmate to evaluate mutual investments in **dairy** farms in **China**," he said.

Beingmate chairman Wang Zhentai said the partnership would create globally competitive, safe and secure supply chains to deliver high quality, advanced **dairy** nutrition to meet the needs of **China's** growing population as well global consumers.

"The partnership will see our **business** take a significant step forward in its globalization ambitions," Wang said in the statement.

"The proposed partnership is well-aligned with the **Chinese** government's desire to see a strengthened focus on quality and consumer safety in the local **dairy** industry."

The infant formula market in **China** was currently worth about NZ\$18 **billion** (\$15.05 **billion**) and was expected to be worth NZ\$33 **billion** (\$27.59 **billion**) by 2017, said Spierings.

Fonterra also announced Wednesday that it would invest NZ\$555 **million** (\$463.97 **million**) in building a new high efficiency **milk** powder drier in the North Island and stepping up processing capacity in the South Island to help meet global demand for **dairy** products.

"Our strategy is to increase earnings by driving more **milk** volume into higher value categories globally by turning the wheel from commodities to higher-margin products," Spierings said.

Fonterra, which is building three major "dairy hubs" in China, previously had a 43-percent stake in China's Sanlu dairy company when it collapsed under the 2008 melamine-contamination scandal.

In August last year, Fonterra announced a global recall of products connected with a batch of whey protein concentrate that was wrongly thought to be contaminated with a botulism-causing bacteria.

Fonterra claims to be the largest processor of milk in the world, producing more than 2 million tonnes of dairy ingredients and related products every year.

CO foncop : Fonterra Co-operative Group Limited

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