

SE News
HD **CHINA**: Fonterra, Beingmate launch infant formula JV.
BY Katy Askew
WC 1,335 words
PD 29 August 2014
SN Just-Food
SC JUFOO
LA English
CY © 2014 Aroq Limited. All rights reserved

LP

New Zealand **dairy group** Fonterra and **Chinese** infant food **business** Beingmate have established a "global partnership" to capitalise on growing **Chinese** demand for infant formula.

The companies will work together to create a "fully integrated global supply chain" that will utilise Fonterra's **milk** pools and manufacturing sites in New Zealand, Australia and Europe to bring product "from the farm gate direct to **China**'s consumers".

TD

As part of the agreement, Fonterra will take a **stake** of "up to" 20% in Beingmate. Following regulatory clearance, Fonterra and Beingmate will then establish a joint venture to **buy** Fonterra's Darnum plant in Australia. The venture will also establish a distribution agreement to sell Fonterra's Annum **brand** in **China**.

Fonterra CEO Theo Spierings said the link-up with Beingmate - a leading **Chinese** formula **brand** - will be a "game changer" for the world's largest **dairy** exporter, which is pursuing a strategy to add value to **milk** by producing high-value ingredients for the infant formula sector, as well as driving branded growth.

Spierings added the deal will promote quality and safety standards in the **Chinese** infant formula sector, which has been dogged by safety scares including the 2008 melamine scandal that killed six babies and sickened around 300,000 more.

"Our partnership with Beingmate will show the benefits of an integrated and secure supply chain, starting in New Zealand - our number one **milk** pool - where we are fast-tracking investment in **milk** processing capacity to meet global demand," he said.

Spierings said Fonterra and Beingmate have a "shared commitment to international best practice quality standards and are committed to stringent processes and controls" around procurement of raw materials, fresh **milk** collection, production process testing, the addition of nutrients, pre-delivery inspection and tracking and tracing of manufactured product.

Beingmate chairman Wang Zhentai concurred. "Working together with Fonterra, we will 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," Zhentaisaid.

Zhentai added the partnership will also enable Beingmate to take a "significant step forward" in its globalisation ambitions.

Fonterra was itself caught up in a safety scare in **China** last year, when it recalled whey powder concentrate over concerns that it was contaminated with a bacteria that can cause botulism. Although the recall turned out to be a false alarm, Fonterra's image was tarnished.

Check back for our analysis of the tie-up and the JV's prospects in the **Chinese** infant formula category.

press release follows:

FONTERRA AND BEINGMATE INITIATE GLOBAL PARTNERSHIP IN **CHINA**'S HIGH-VALUE INFANT FORMULA MARKET Key points• New Zealand **dairy** co-operative Fonterra Co-operative **Group** Limited

and a leading **Chinese** infant food manufacturer Beingmate intend to form a global partnership that will help meet **China's** growing demand for infant formula. • The partnership will 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. • The partnership is intended to increase the volume and value of Fonterra's ingredients and branded products exported to **China**. • It will be achieved in two phases: Fonterra will shortly start the process to issue a partial tender offer to gain up to a 20 per cent **stake** in Beingmate. After gaining regulatory approvals and Fonterra satisfactorily completing the partial tender offer, Fonterra and Beingmate will set up a joint venture to purchase Fonterra's Darnum plant in Australia and will establish a distribution agreement to sell Fonterra's Annum™ brand in **China**. Fonterra strategy in action Fonterra Chief Executive Theo Spierings said the partnership between two leading **dairy** nutrition companies will be a game changer that will provide a direct line into the infant formula market in **China**, which is the biggest growth story in paediatric nutrition in the world. The partnership will also play a part in promoting leading product quality and safety standards in the infant formula market in **China**, participating in the ongoing development of the **Chinese dairy** industry, and supporting the development of Beingmate's **business**. "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 whey specialty ingredients manufactured at our new plant in Heerenveen in the Netherlands and in alliance with **Dairy Crest** in the United Kingdom," said Mr Spierings. "We will also work with Beingmate to evaluate mutual investments in **dairy** farms in **China**." This will be another milestone in our strategy to create additional demand for ingredients and high-value paediatric and maternal nutrition products made from our New Zealand **milk**, complemented by **milk** drawn from our other international **milk** pools. "**China** is our number one market and the proposal to join forces with Beingmate will be an important building block in Fonterra driving volume and value, and taking a step forward in terms of being a globally relevant co-operative." Our partnership with Beingmate will show the benefits of an integrated and secure supply chain, starting in New Zealand - our number one **milk** pool - where we are fast-tracking investment in **milk** processing capacity to meet global demand. "Beingmate Chairman Mr. Wang Zhentai said, "Working together with Fonterra, we will 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 globalisation ambitions." The **China dairy** industry and infant nutrition market Fonterra Chairman John Wilson said Fonterra has been committed to being a part of **China's dairy** industry and contributing to its development for many years. "Fonterra is already playing its part in the creation of a vibrant, local **dairy** industry through our farms investment, sharing technical expertise, providing high-quality imported ingredients to local food manufacturers and innovative **dairy** solutions to the foodservice sector," said Mr Wilson. "We are looking for this global partnership to take our relationship with **China** and its consumers to a whole new level. It will benefit Fonterra, Beingmate and all our stakeholders and is part of our drive to increase returns to our farmer shareholders." Mr. Wang from Beingmate said, "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. We believe this global partnership will play a constructive role in the development of **China's** and the global **dairy** industry as both parties work together to drive a two-way flow of capital, technology, supply and distribution." Mr Spierings said by working alongside Beingmate, the partnership will participate in growth in a category where there is huge demand. "The infant formula market in **China** is worth about NZ\$18 **billion** today and is expected to be worth NZ\$33 **billion** by 2017. This growth is driven by increasing urbanisation, higher disposable incomes, a preference for premium brands, and relaxation of the one child policy," he said. Mr Spierings said Fonterra and Beingmate have a shared commitment to international best practice quality standards and are committed to stringent processes and controls around procurement of raw materials, fresh **milk** collection, production process testing, the addition of nutrients, pre-delivery inspection and tracking and tracing of manufactured product. "In addition, Beingmate has an extensive distribution network and local knowledge that complements Fonterra's commitment to food safety and quality." "What Fonterra brings to the table is world-leading expertise in **dairy**, particularly in the areas of farm management, **milk** production, **dairy** processing, quality control, tracking and tracing, **dairy** nutrition and innovation," said Mr Spierings.

original source: Fonterra

This article was originally published on just-food.com on 27 August 2014. For authoritative and timely food **business** information visit <http://www.just-food.com>.

CO foncop : Fonterra Co-operative Group Limited

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

NS c184 : Joint Ventures | c26 : Product Safety | c18 : Ownership Changes | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE china : China | austr : Australia | nz : New Zealand | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

IPD Fonterra

PUB Aroq Limited

AN Document JUFOO00020140829ea8t000dx