



Rabobank

**Media release
May 22, 2014**

China's 'white gold rush' – opportunities for Australian dairy

The Chinese dairy market is one of the world's largest – and most significant – being the fastest growing, presenting big opportunities for the Australian dairy industry to cash in on China's 'white gold rush', according to Rabobank.

Visiting dairy farmers around Australia this week, Shanghai-based Rabobank senior dairy analyst Sandy Chen says that the rising income of currently low-income consumers will drive growth of dairy demand into the next decade.

Mr Chen says the imbalance in the development of supply chains in China has led to a series of milk contamination – be it deliberate or accidental – scandals in recent years, which have contributed to the rising wave of imports seen going into China.

“The reliance on imported feed components and other challenges such as availability of land, water, biosecurity considerations and environmental protection factors will make it difficult to increase self sufficiency levels quickly for China,” Mr Chen says.

“With ongoing investments into their dairy industry capacity, local supply will rise over time but this will come at a cost.”

Adding to this, Mr Chen says that product safety has become an increasing concern for the Chinese consumers and this will be an important factor when it comes to brand value in the future.

Part of Rabobank's Food & Agribusiness Research and Advisory division, Mr Chen joined Rabobank in early 2013. In this role he researches and analyses trends and developments in the Chinese dairy market.

Mr Chen says that China already dominates the global traded market for dairy commodities so greatly that small changes in China's demand and supply balance have a large impact on the global market and therefore commodity prices.

“As a result of how important China is in the global market place, Australian dairy farmers should endeavour to keep up to date with Chinese market trends,” he says.

“High milk production costs in China, for example, will result in imported product remaining attractive and this will continue to play an important role in fulfilling Chinese demand.”

Regulatory changes in China will also continue to impact the supply chain, Mr Chen says, and all participants will need to keep informed and adapt quickly.

“Chinese dairy consumers are already sophisticated and place high expectations on milk producers for quality, food safety and sustainability characteristics, providing a high level of evidence in these areas will become more and more crucial,” he says.



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“This is where Australia has an opportunity to take advantage of its image as a reliable producer of quality, traceable dairy products destined for the international market. The fundamentals are there, now it’s time for the Australian industry to secure that market share by finding its ‘edge’ on other competitors looking to the Chinese dairy industry opportunities.”

Mr Chen presented these views to industry stakeholders and dairy farmers this week in various locations including Melbourne, Gippsland, Warrnambool, Colac and Launceston.

Rabobank state manager Victoria, Todd Charteris, says that bringing an expert such as Sandy to meet with clients in their local areas provides extremely valuable insights for farmers interested in the opportunities taking place in China at present.

“China has been an integral part of the global dairy market for quite some time now and hearing Sandy present this week has reinforced the future growth that will materialise in due course,” Mr Charteris says.

“Giving our clients a chance to hear Sandy and his current on-the-ground perspectives of the Chinese dairy industry really benefits local dairy producers to gain insights into a very important market. With Rabobank’s sole focus on agriculture, this sort of first-hand knowledge-sharing is a massive value-add for our clients, helping them to make informed decisions for their business.”

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Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 110 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 42 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia’s leading rural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

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