

JOINT VENTURE AIMS TO FIND RIGHT FORMULA

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South-east Asian company **Etika** International and Kiwi investors are teaming up in a new Hawke's Bay plant worth around \$10m to make long-life liquid infant formula milk, targetting the Chinese market in the wake of a milk contamination scandal three years ago.

The joint venture **Etika** Dairies NZ plant will be the first in the world to produce long-life liquid infant formula in a plastic bottle with a teat cap, rather than the typical method of small cardboard cartons for long-life milk.

The new plant, officially opened late last week, will also produce long-life milk and juices in plastic bottles, with initial sales in New Zealand and some exports. The company aims to lift initial production of 6000 bottles an hour this year to 30,000 next year.

Longer-term up to 80 per cent of the production will be for exports to China, Japan and South east Asia, as well as to Australia.

"The lack of confidence in Chinese [milk] manufacturers has meant a greater premium and demand for New Zealand bottled or packaged products, especially infant formula," says **Etika** Dairies NZ partner and manager of the business Neil McGarva.

The liquid infant formula in a plastic bottle will be a key product. The ready-to-drink bottles have a shelf life of up to 12 months, so did not need to be chilled.

"When we put 'bottled in New Zealand' on that, we have a premium added-value product for the Chinese market," he said. It will also target the growing middle class in Asia.

The liquid infant formula was in a sterile bottle, so that could appeal to people in countries where water quality or hygiene was an issue.

In 2008, dairy giant Fonterra stepped back from its interests in a Chinese partnership in San-Lu after six children died and thousands became sick because of melamine put in milk by Chinese farmers to raise protein levels.

The **Etika** Dairies NZ company can buy up to 50m litres of milk a year from Fonterra under government rules. The Hawke's Bay plant will also produce apple and kiwifruit juices, mainly for Asian export markets.

The plant is expected to produce revenues of about \$20 million a year. Most bottles will be sold under house brands. The joint venture will announce a local dairy company partner in New Zealand next month.

The plant will be able to produce 6000 bottles an hour initially or 18 million litres a year, with most of the initial capacity already pre-sold in New Zealand and overseas.

Malaysian-based **Etika** International Holdings holds 60.7 per cent of **Etika** Dairies NZ with local Hawkes Bay investors holding the balance. **Etika** is listed on the Singapore Stock Exchange, with operations in Malaysia, New Zealand, Indonesia and Vietnam and is one of the world's biggest makers of sweetened condensed milk.

A large part of the production will be taken by joint venture partner **Etika** International for Asian markets.

The plant employs about 30 staff.

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