China threat to dairy exports

Australia’s image as a clean and green dairy producer is under threat in China after the entire industry was put on notice by regulators who claim to have detected food safety issues.

Exports of fresh milk from Australia appear to be the main focus for Chinese authorities, after nine shipments were blocked from entering the country this year.

"It is worth noting... all the imported pasteurised milk (fresh milk) that has been disqualified... is from Australia," said industry website, Dairy Home, noting that no other countries had such issues.

The apparent move against the Australian dairy industry comes at a difficult time in the bi-lateral relationship and as Prime Minister Malcolm Turnbull is due in China this weekend for the G20 leaders meeting.

"Everyone knows that China and Australia have a hot economic relationship but cold political ties," said Beijing-based dairy analyst Song Liang.

"So I can't exclude the possibility that political factors are involved."

Australian authorities have maintained the latest dairy issue is not around food safety, but questions around the shelf life of fresh milk being flown to China.

It is understood China had asked for additional testing from Australian exporters, a request delivered at a meeting in Beijing last Friday.

Camperdown Dairy Company said they were unable to undertake the tests in the time available and so voluntarily took themselves off the Australian government export list for fresh milk to China.

But a very different story has emerged in China.

The official Xinhua news agency said on the Thursday the issues relating to the Camperdown Dairy Company involved “disease-causing bacteria” including E.coli and staphylococcus being found in its milk.

It also said all 41 Australian exporters would face "strengthened supervision" as a result of the findings.

The Beijing Times newspaper reported on Friday that NSW dairy co-operative Norco had also had its shipments blocked in January over food safety issues.
"It is known that this is not the first time problems occurred in Australian imported pasteurised milk," the state-run newspaper said.

Both companies strongly deny any instances of harmful bacteria being found in their fresh milk.

Brett Kelly, the chief executive of Norco, said while it had occasionally had its fresh milk shipments blocked from entering China this was not around food safety issues.

"From time to time we have had the odd issue, but it was very small in the scheme of things," he said.

"I have been in touch with our people and can confirm our shipments are getting through and we have no current issues in China."

According to Chinese regulators, Norco has had three shipments blocked this year totalling around 8,500 litres.

"That's tiny," said Mr Kelly.

"We will export around 1 million litres [to China] this year."

The Camperdown Dairy Company, which had a shipment blocked in April, also deny this was due to the presence of "disease-causing bacteria."

"That is just not true," said the general manager of Camperdown Dairy, Chris Melville via phone.

"If that type bacteria had been found in our milk we would have been informed straight away and this is the first I'm hearing about it."

"We have test results to prove it is not true."

China is the second largest export market for Australian dairy producers with trade valued at $295 million in the 2015 financial year.

Australian dairy exports to China are up 46 per cent over the last five years with fresh milk being the fastest growing category, according to Dairy Australia.

Mark Tanner, the managing director of marketing consultancy China Skinny, said fast growing imported categories are often targeted by authorities in China.

"We often see this type of propaganda being used against countries which are doing well in a particularly category," he said via phone from Shanghai.

Mr Tanner said imported fresh milk was the fastest growing dairy category in China, having grown 10 fold since 2010, albeit from a low base.

"This imported fresh milk is a threat to local producers," he said.

China's Ministry of Agriculture has recently been promoting the quality of locally produced fresh milk.

"Some major indicators, including nutrient content, exceeded the standards of the United States, Europe and Australia," Xinhua reported.
"Domestic milk products appear to be one of the safest foods in China," it quoted an official saying.

Earlier this month New Zealand Kiwi fruit exporter Zespri was forced to suspend exports to China after a fungus was found in some of its boxes. It later emerged officials from China's Ministry of Commerce had hinted to Zespri and dairy giant Fonterra they may have some problems if Wellington pursued anti-dumping proceedings against Chinese steel producers.

Zespri exports have since resumed.

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