

Monday, 30th January 2017

To the Committee Secretary,

My name is Andrew Cohen and I am the acting CEO of Bellamy's Organic. At Bellamy's we pride ourselves on producing wholesome, nutritious, organic foods for babies, toddlers and children. We also support a broad local community of suppliers and our products are manufactured in Australia. We share your cause to rally behind the Australian dairy industry and local farmers.

Infant formula and Toddler milk is a key part of our product range. Our manufacturing, canning and packaging is in Australia and we work closely with two key dairy partners, Bega and Fonterra, in this process. Our milk ingredients are of the highest standard and certified organic. These ingredients are currently procured from trusted and proven sources in Western Europe.

We have a long-term aspiration to source ingredients from the local Dairy industry but have faced structural challenges to date. The organic milk industry is an emerging fragmented industry. It is poorly reported, but our estimation of the market is that it represents <1% of total global milk production. The vast majority of this comes from Europe and the US, with Australia representing significantly less than 0.1% of Organic production. This production is also highly fragmented making bulk purchasing difficult and uncommercial.

A further complication is the need for processing capacity to make D90 Whey from this production. Establishing this capacity is capital intensive and requires expertise and a clear avenue for a large level of secondary ingredients such as Organic Cheese or Cream. Our experience is suppliers also want to order the full suite of products including WMP, SMP, D90 and Lactose in order to secure D90 Whey. This means the possibility of ordering WMP and SMP from Australia to supplement D90 from abroad is difficult.

We are committed to developing the organic milk pool and the required processing in Australia and this has been a stated aspiration for our business. It is a long journey with a 3 year investment required to convert farms and realise the benefits, as well as capital costs and expertise to establish processing capacity. Unfortunately the recent business issues we are facing need to be addressed first, but our resolve remains.

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Thank you for the opportunity to make this submission. Our Chairman Rob Woolley who has a long history in the industry and with the business looks forward to joining you in Burnie on Friday 3 February to discuss this submission and our broader understanding of the challenges facing the industry.

Kind regards,

Andrew Cohen
Acting CEO