

Analysis and Forecast on China's Dairy Industry (2016/2017)



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Introduction

2016 witnessed the transition of the dairy farming industry from extensive quantity growth to intensive quality growth. The dairy industry transitioned from unconventional disordered development to steady orderly development. Owing to the slip of feed cost, the composition of products converged towards top-end products with high gross margin. The profit of the dairy processing industry rose considerably.

I. International and Domestic Raw Milk Market

(1) During most of the time in 2016, milk production in both the world and China was sluggish thanks to raw milk oversupply, of which the EU, USA and New Zealand had stable raw milk production, whereas South America saw a sharp decline of production due to drought.

(2) Although the international raw milk price started to bounce from the bottom from August, yet the margin of dairy farming did not rally much pursuant to the concurrent upsurge of feed price.

(3) Raw milk price has been lingering around 3.40 yuan/kg for a long time, more and more smallholder farms and small-size farms give up dairy farming, which led a slide of dairy cattle inventory for two years in a row.

II. Dairy Processing Market

(1) The production of processed dairy products continued to grow in China in 2016 thanks to the growth of both the liquid milk and yogurt market.

(2) The market of infant formula was sluggish due to the impact from the new "registration" policy.

(3) The turnover of the dairy processing industry grew at a low speed, whereas the growth of both gross margin and net profit was better than the turnover. Various processing companies saw rise of gross margin despite great differences in inventory or current asset turnover, but on the whole the processing industry was steady.

China's dairy industry shall still have sound development opportunities:

(1) The per capita dairy consumption of Chinese residents is less than 30kg, less than 1/4 of the world average. More and more residents recognize the nutritious value of dairy products and hence the market enjoys a huge potential.

- (2) Both dairy processing and trade are further regulated, the dairy market competition is regulated as well, and the profit of dairy processing is on the rise.
- (3) The second-child policy shall see effects in 2017. The net increase of population shall be over 1.5 million and there shall be 10 billion yuan new demand for infant formula.
- (4) Yili became one in the Top 10 dairy companies in the world in 2016. The overseas production centers of Yili, Mengniu and Synutra are in operation and Chinese dairy processing companies shall continue their internationalization strategy.

This Report panoramically expounds the current situation of China dairy industry in 2016, including the production of raw milk and dairy product, dairy consumption, dairy trade, price tendency of raw milk and dairy product, operational condition of China dairy industry, competitive situation of China dairy market, business performance and investment situation of key dairy enterprise, world dairy market trend, production, consumption and trade status of major countries of dairy production and trade, influence of work dairy market environment upon China dairy industry, and the forecasting upon the development tendency of China dairy industry in 2017.

This Report is the crystallization of collective intelligence of dairy research group of Beijing Orient Agribusiness Consultants Limited. The senior dairy analysts of dairy research group of BOABC are the members of "thinking bank" in related government departments and associations, who keep good relationship with these departments and associations as well as national key dairy enterprise, correlative industry and enterprise. These resource superiorities provide particularly precious professional support for the composition of this Report, and also guarantee the accuracy, authority, scientificity and perspectiveness of the data cited herein. BOABC believes this Report will be the important reference material for strategic decision-making of domestic and overseas investment company, dairy enterprise, dairy burdening supplier, and related equipment supplier as well as such organizations as guild and research institution.

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BOABC—As leader in China's modern agriculture service industry, BOABC was established in 1996, by virtue of nearly 20 years' accumulation in China's agriculture and food industry, as well as our experience in industry data, intelligence, information gathering and analysis, integration of resources for agriculture and food related enterprises, institutions, investors, consumers. Our services including agricultural research, consulting service, media, marketing, private equity investment, financial consultants, public relations and communications conference and exhibition, we also provide integrated services to help enterprises of all types and institutional clients in understanding the rapid development of China's agriculture and food industry, and help them to create greater business value.

Related Reports

- Report on Application of D40, D70 & D90 in the Market of Formula Milk
- Powder Research Report on Market of Infants Formula Milk Powder in China
- Report on China's Raw Milk Powder Market Supply and Demand
- China's Yogurt Product Market Research Report
- China's Whey Products Market Research Report
- China's Cheese Market Research Report
- Special Research Report on China Dairy Cow Farm

Special Survey Service

With 20 years of industry research experience, BOABC is China's best data, information, consulting service provider in agricultural and food fields. We have successfully provided nearly a thousand Chinese and overseas enterprises and governmental agencies with all kinds of special research services including industrial special subject research, market research, strategy consulting, feasibility study on fund-raising investment alternative before listing, regional planning, business plans and so on.

Typical Cases:

- ❖ In 2002, provide Nestle (China) with DD Investigation against Yuannan Diequan Dairy Company;
- ❖ In 2005, provide Fucheng Wufeng with Research Report on Consumer of Organic Milk Product;
- ❖ In 2005, provide Zhangjiakou Greatwall Dairy with Research on the Consumption Habit and Attitude of Liquid Milk;
- ❖ In 2006, successfully implement Research Report on Yoghurt Package and Taste Test for Sweden Ecolan Company;
- ❖ In 2008 provide a survey on Cream and cheese market research for DAIRYGOLD.
- ❖ In 2010, provide a survey project on Export Opportunity for Australia 's Dairy Products and Dairy Raw Material in China for a Australia company;



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