

# China Dairy Monthly Report

April 2018



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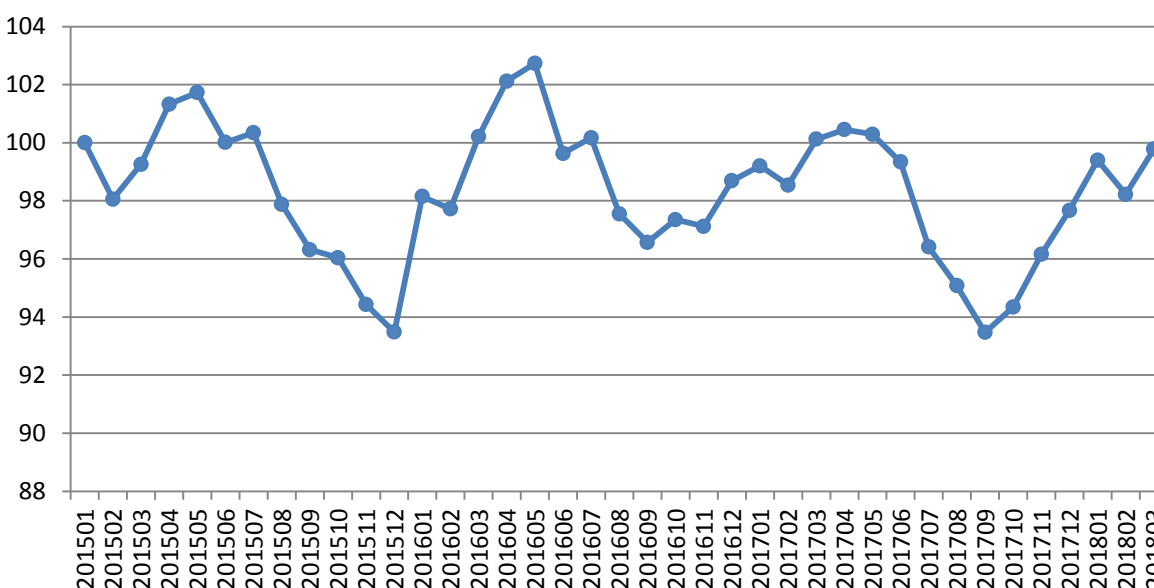
## 1. Dairy Farming

### 1.1 Raw Milk Production in Q1 2018 Dropped Slightly YoY

Raw milk production index in March 2018 rose to 99.78, up 1.6% MoM, lower than March 2016 and March 2017.

The total production in Q1 2018 was 0.15% less YoY.

Chart 1, Monthly Index of Milk Production of Raw Milk Collection Stations



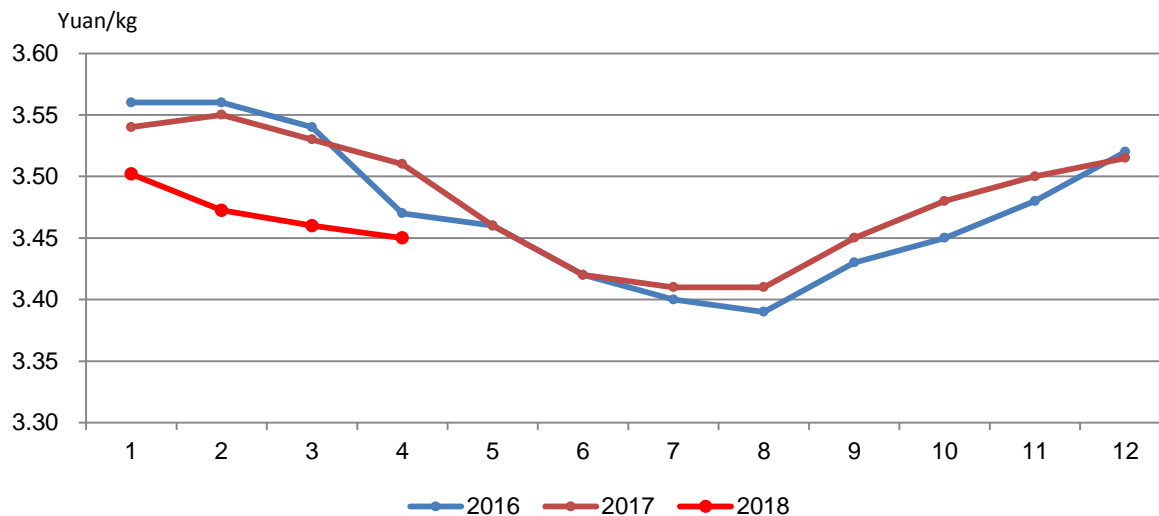
### 1.2 Raw Milk Price Declined Further in April, Price of both Soymeal and Corn Rose, Dairy Farming Profit Slid

Raw milk price sustained the sluggishness and dwindled to 3.45 yuan/kg in April, 0.01 yuan/kg lower MoM and 0.06 yuan/kg lower YoY.

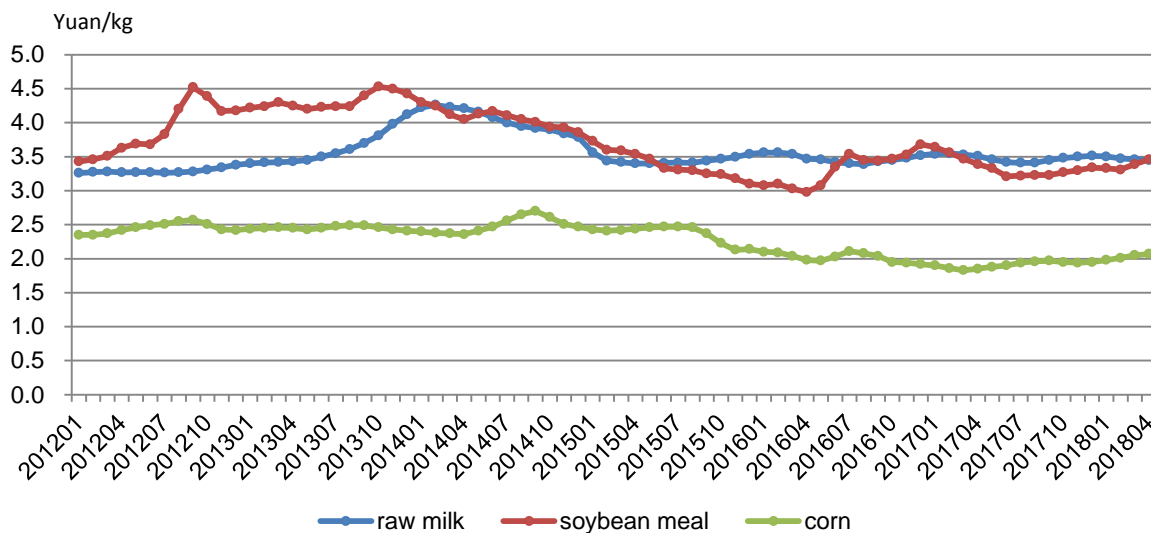
The price for feed is on the rise while milk price remains sluggish, which further aggravated the dairy farming profit.

Both soymeal and corn price has been surging since the latter half of 2017. From June 2017 to April 2018, soymeal price rose from 3.21 yuan/kg to 3.46 yuan/kg, and corn price rose from 1.9 yuan/kg to 2.07 yuan/kg.

**Chart 2, Monthly Raw Milk Price in the Main Farming Regions, 2016-2018**



**Chart 3, Monthly Prices of Raw Milk, Soybean Meal and Corn, 2012-2018**



### 1.3 Hebei and Shandong: Dairy Cattle Inventory Slips, Raw Milk Production Rises and Milk Price Falls in Q2

#### 1. Hebei

In the end of March 2018, Hebei had 1.197 million dairy cattle, down 3% YoY; raw milk production in Q1 stood at 1.048 million tons, up 2.5% YoY.

Milk price in Hebei during the first two months of 2018 sustained the growing momentum from August 2017, the price dropped in March and the average was 3.45 yuan/kg in Q1.

The price fell under 3.4 yuan/kg in April. Processing companies could decide the price and put limit on milk collection, whereas farmers are at an inferior position. The contradiction between processing companies and farmers are prominent. Farmers run in difficulties due to the poor margin.

#### 2. Shandong

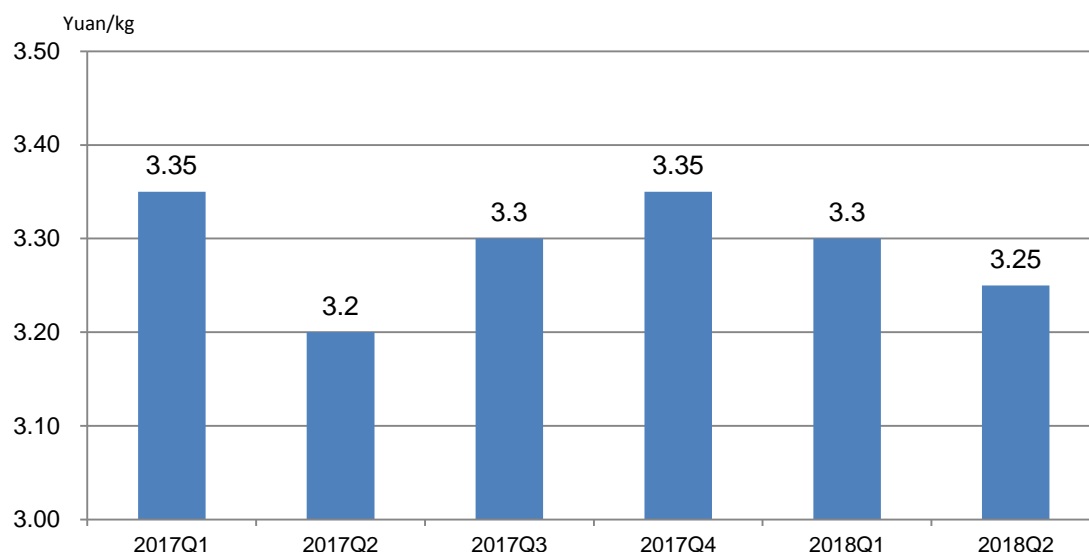
(1) According to Shandong Veterinary Bureau data, smallholder farmers accelerate giving up dairy farming alongside the environmental protection rectification and transition of farms. The quantity of milk stations in the province in the end of 2017 was 12% less YoY.

In the end of 2017, Shandong had 1.2 million dairy cattle, down 7% YoY. Raw milk production in 2017 stood at 2.7 million tons, up 0.6% YoY. Raw milk price fluctuated around 3.50 yuan/kg. A dairy cattle that could produce 7,000kg milk per year made a profit of 3,000 yuan.

(2) In Shandong, the raw milk reference price in Q2 is 3.25 yuan/kg, 0.05 yuan/kg lower from Q1. According to BOABC, it is a seasonal slide and in line with the historical trend of reference price in Shandong. The reference price is 0.05 yuan/kg higher YoY, which helps farms to generate profit.

(3) Milk price fell in Shandong in April and a falling trend is foreseen.

Raw milk price in Shandong dwindled to 3.45 yuan/kg in April. On the one hand, cows are at the peak of producing calves along with the warming up of the temperature, milk production is on the rise accordingly, and there is seasonal increase of raw milk supply. On the other hand processing companies have less seasonal demand for raw milk. Milk price has little momentum to grow in Q2 in Shandong and a falling trend is predicted.

**Chart 4, Raw Milk Reference Price in Shandong, 2017-2018**

#### 1.4 Shandong Huaao Dadi Corporation to Build A2 Dairy Farm

The company plans to set up two large dairy farms of 5,000 inventory in Kenli District, Dongying City, Shandong. When in full-capacity operation, each farm shall rear 3,000 adult cows and 2,000 heifers. The total budget is 350 million yuan, land occupation 887 mu, kicking off of construction shall be in Mid-May and completion of construction shall be in the end of the year. It should be noted that one of the two farms shall concentrate on A2 dairy cattle, this shall be the first A2 dairy farm in China.

#### 1.5 China Imported 8,572 breeding cattle in Q1 2018, down 60% YoY

In March 2018, China introduced 4,086 breeding cattle; value 7.78 million USD; average price 1904 USD/head. The import origin was Australia.

In Q1 2018, China altogether introduced 8,572 breeding cattle, 13,554 heads or 78% less YoY. The import value was 17.37 million USD, 9.46million USD or 35% less YoY.

Chart 5, Import of Breeding Cattle, 2008-2018

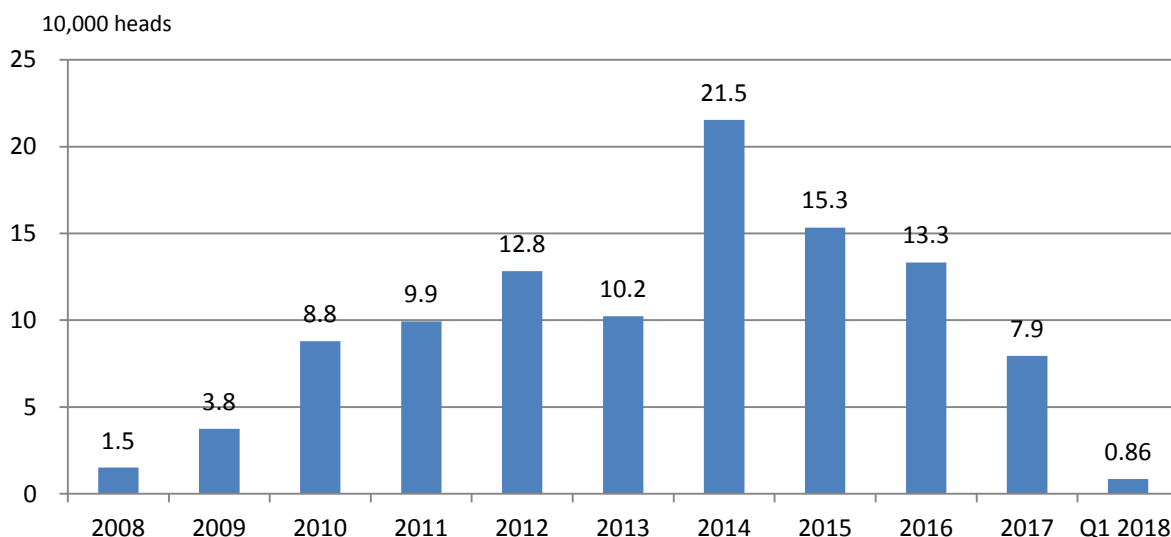
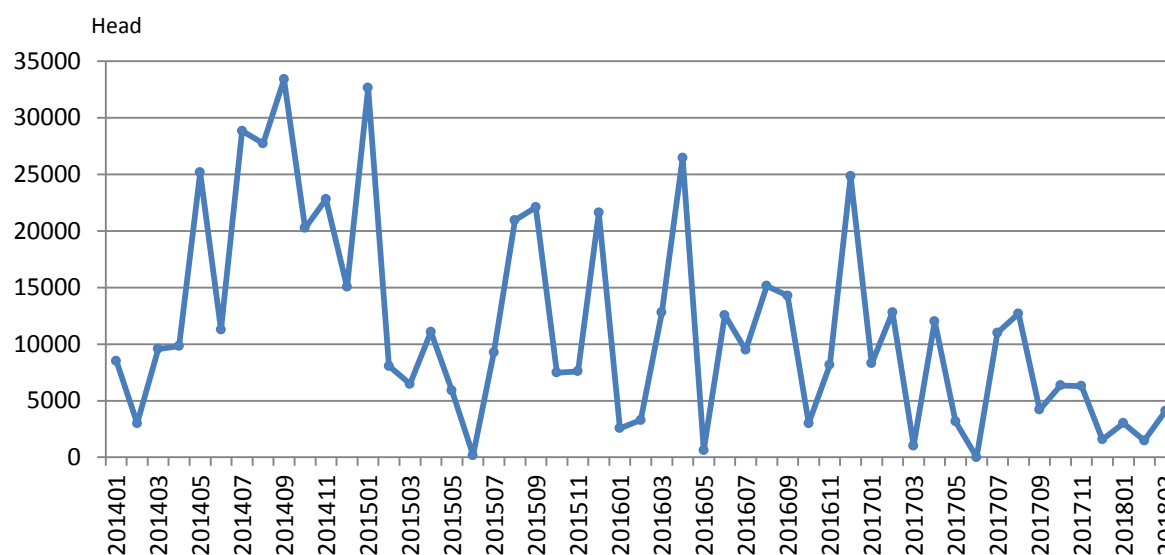


Chart 6, Monthly Import of Breeding Cattle, 2014-2018



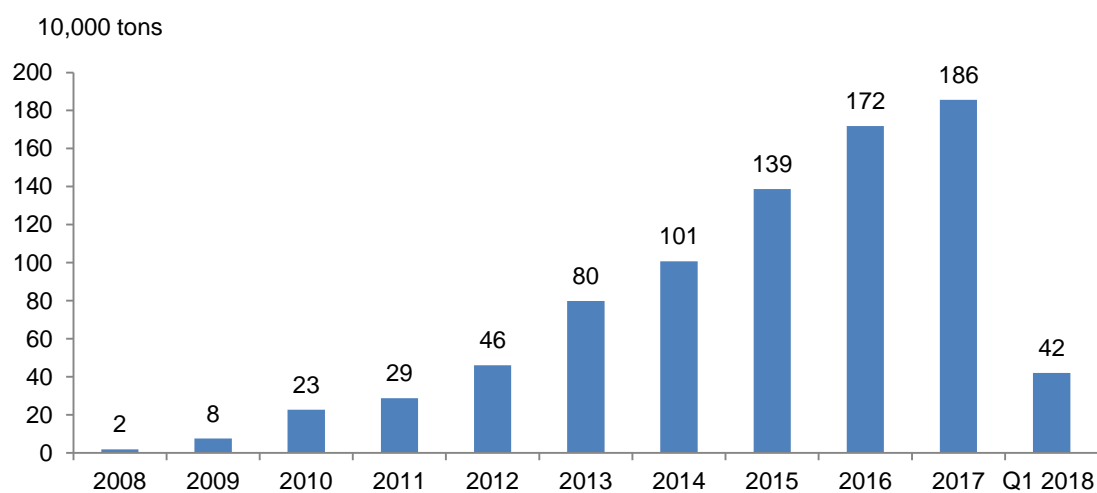
### 1.6 China Imported 420 Thousand Tons Hay in Q1 2018, down Slightly YoY

In March, China imported 170 thousand tons hay, down 4% YoY. The import value was 53.2 million USD, up 7% YoY. The average price was 311 USD/ton, up 12% YoY.

In Q1 2018, China imported about 420 thousand tons hay, down 1% YoY. The import value was 0.13 billion USD, up 6% YoY.



**Chart 7, Import of Hay, 2008-2018**



**Chart 8, Monthly Import of Hay, 2008-2018**

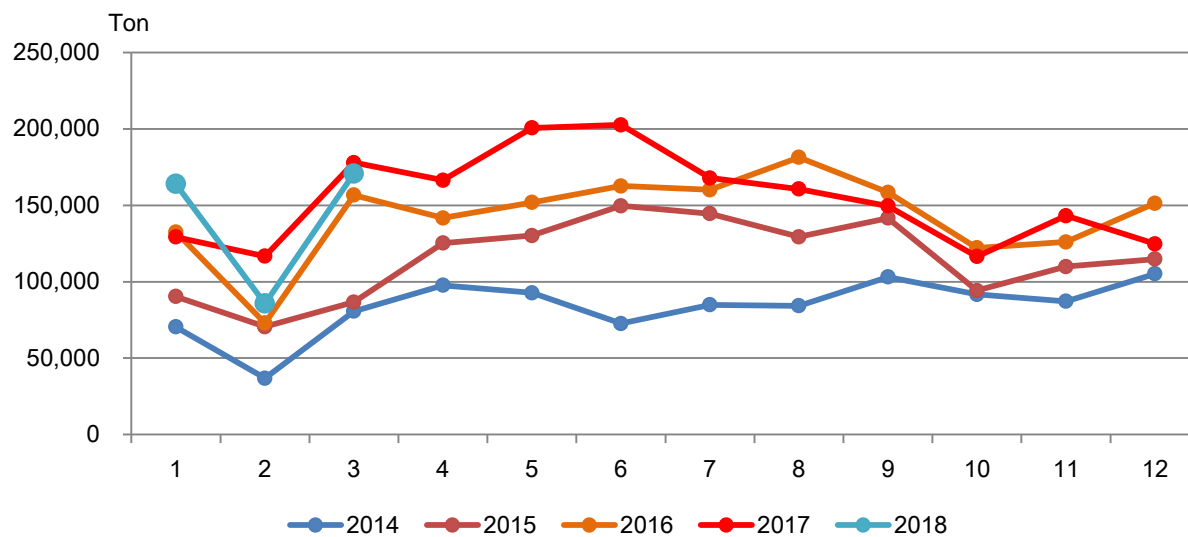
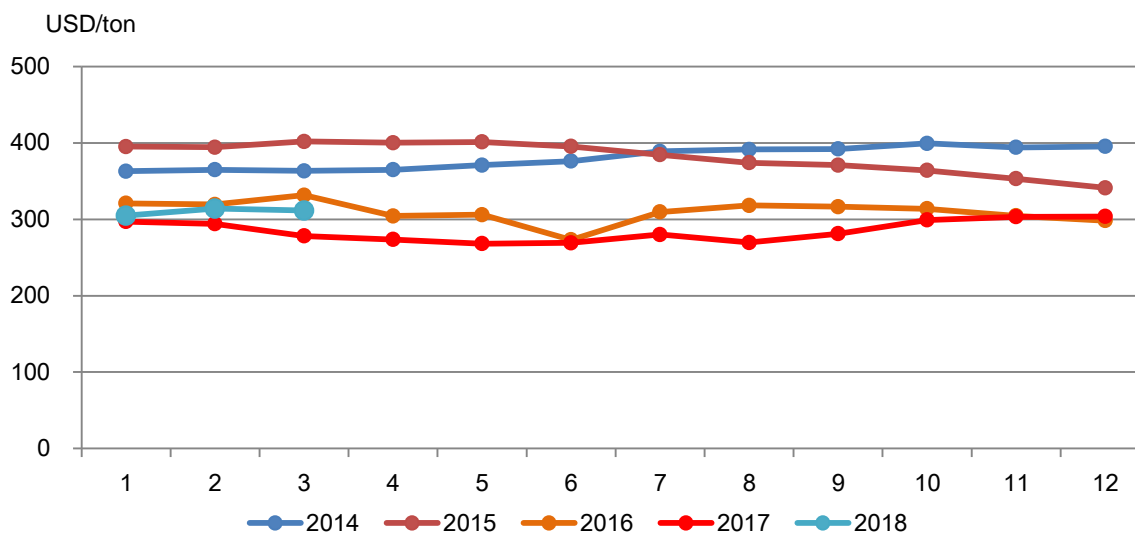


Chart 9, Average Monthly Import Price of Hay, 2014-2018



## 2. Update of Dairy Processing Industry

### 2.1 Dairy Production totaled 6.21 Million Tons in Q1 2018, up 6% YoY

Dairy production in March was 2.09 million tons, up 3.7% YoY.

Among the total production, production of liquid dairy products (including liquid milk, milk beverage and yoghurt) was 1.93 million tons, up 3.4% YoY; production of milk powder (mainly including infant formula, WMP and SMP) was 83.5 thousand tons, down 9.6% YoY.

Dairy production totaled 6.21 million tons in Q1, up 6.4% YoY, of which liquid dairy products 5.77 million tons, up 6.3% YoY; milk powder 238 thousand tons, down 0.26% YoY.

The top five producers are Hebei, Shandong, Inner Mongolia, Jiangsu and Heilongjiang in sequence, aggregating 50% of the total production.

Among the top ten producers, Henan was the only one that saw YoY slide, down 20%. Hebei, Shandong, Heilongjiang, Ningxia, Sichuan and Anhui each saw a higher-than-10percentage YoY slide. Production in Inner Mongolia, Jiangsu and Shaanxi rose slightly.

Chart 10, Monthly Production of Dairy Products and Liquid Dairy Products, 2013-2018

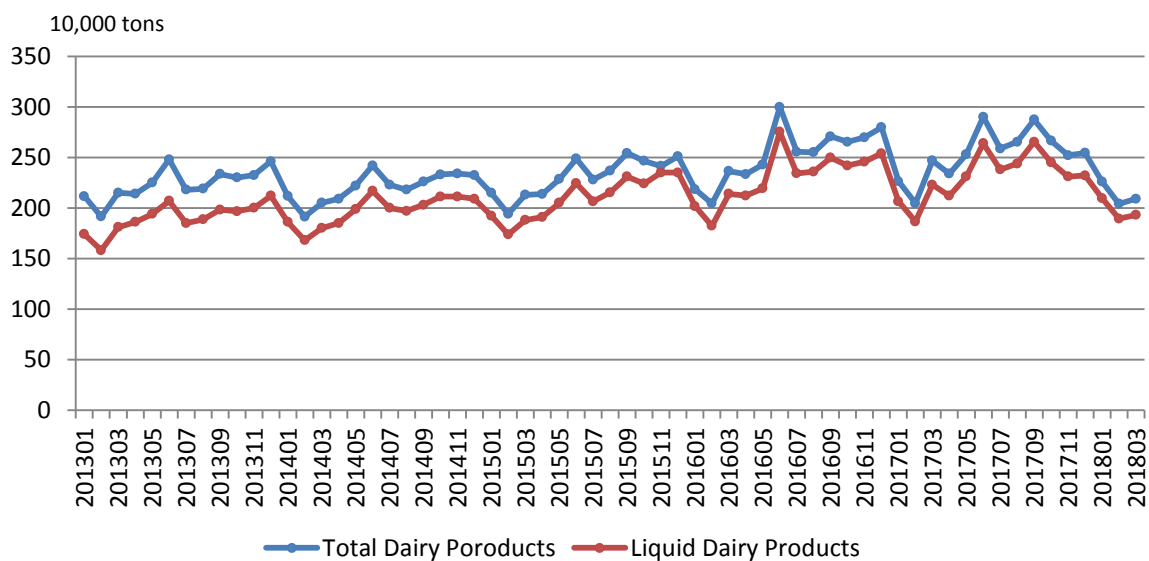


Chart 11, Production, YoY Growth and Share of The Top Ten Producers in Q1 2018

	Production(10,000 tons)	YoY Growth %	Share %
Total	620.8	6.4	100.00
1 Hebei	94.0	11.31	15.14
2 Shandong	61.9	12.39	9.98
3 Inner Mongolia	58.7	0.78	9.45
4 Jiangsu	40.2	-0.46	6.47
5 Heilongjiang	36.9	21.21	5.94
6 Henan	35.2	-23.47	5.68
7 Ningxia	28.4	39.44	4.58
8 Sichuan	26.6	10.09	4.28
9 Shaanxi	23.5	1.01	3.78
10 Anhui	23.4	17.79	3.77

Chart 12, Dairy Production by Region

	March 2018		Q1 2018	
	Production(10,000 tons)	YoY Growth %	Production(10,000 tons)	YoY Growth %
Total	208.86	3.71	620.83	6.40
Beijing	4.77	-3.65	14.13	2.56
Tianjin	4.57	-4.09	13.49	1.05
Hebei	31.30	10.38	94.00	11.31
Shanxi	3.49	5.13	11.39	1.05
Inner Mongolia	18.38	-6.59	58.67	0.78
Liaoning	6.39	7.08	18.76	-7.00
Jilin	1.43	52.79	4.39	55.82
Heilongjiang	12.40	22.70	36.86	21.21
Shanghai	3.76	-7.81	10.46	-8.57
Jiangsu	12.52	-1.55	40.16	0.46
Zhejiang	5.25	-5.21	14.80	1.65
Anhui	8.54	17.17	23.40	17.79
Fujian	1.19	-26.46	3.64	-12.65
Jiangxi	1.19	38.57	3.43	4.35
Shandong	20.56	-1.12	61.93	12.39
Henan	10.70	-29.80	35.24	-23.47
Hubei	7.60	86.13	21.82	53.28
Hunan	1.91	-8.28	4.74	-3.39
Guangdong	7.25	29.17	17.18	10.38
Guangxi	3.27	15.49	7.31	3.60
Hainan	0.03	-6.86	0.05	-17.13
Chongqing	1.65	0.44	4.48	-8.33
Sichuan	9.37	-0.67	26.56	10.09
Guizhou	0.85	68.58	2.22	8.78
Yunnan	6.01	2.96	16.01	7.83
Tibet	0.11	182.03	0.33	185.27
Shaanxi	8.32	2.17	23.48	1.01
Gansu	2.72	6.68	8.16	15.79
Qinghai	1.12	-1.02	4.11	30.09
Ningxia	8.40	29.24	28.42	39.44
Xinjiang	3.80	-19.87	11.18	-13.29

Chart 13, Liquid Dairy Products Production by Region

	March 2018		Q1 2018	
	Production(10,000 tons)	YoY Growth %	Production(10,000 tons)	YoY Growth %
Total	192.68	3.37	577.34	6.31
Beijing	4.51	-4.19	13.50	3.01
Tianjin	4.02	-6.58	11.98	-1.30
Hebei	30.43	10.69	91.84	11.82
Shanxi	3.46	4.72	11.32	1.30
Inner Mongolia	17.08	-6.94	54.53	0.79
Liaoning	6.13	6.13	18.28	-5.97
Jilin	1.25	89.29	3.70	94.98
Heilongjiang	9.09	35.17	26.91	25.50
Shanghai	3.70	-7.65	10.21	-9.12
Jiangsu	12.27	-0.94	39.44	0.98
Zhejiang	4.81	-3.62	13.56	1.30
Anhui	7.79	19.67	21.58	20.54
Fujian	1.10	-9.81	3.32	2.41
Jiangxi	1.15	40.51	3.32	4.55
Shandong	20.00	-0.32	60.40	12.45
Henan	10.66	-29.83	35.11	-23.51
Hubei	7.41	86.43	21.39	53.32
Hunan	1.34	-12.32	3.04	-9.49
Guangdong	4.55	9.42	11.03	2.07
Guangxi	3.06	8.77	6.86	-2.41
Hainan	0.03	-6.86	0.05	-17.13
Chongqing	1.65	0.44	4.48	-8.33
Sichuan	8.50	-1.61	24.53	11.03
Guizhou	0.85	68.58	2.22	8.78
Yunnan	5.99	3.31	15.93	7.95
Tibet	0.10	228.57	0.30	233.37
Shaanxi	6.89	0.55	19.51	-2.40
Gansu	2.49	5.11	7.65	17.81
Qinghai	1.12	-0.97	4.10	30.18
Ningxia	7.59	29.20	26.45	38.86
Xinjiang	3.67	-19.25	10.80	-12.13

Chart 14, Milk Powder Production by Region

	March 2018		Q1 2018	
	Production(10,000 tons)	YoY Growth %	Production(10,000 tons)	YoY Growth %
Total	8.349	-9.61	23.79	-0.26
Beijing	0.074	-19.46	0.17	-33.37
Tianjin	0.042	83.37	0.05	27.07
Hebei	0.524	-15.44	1.41	-16.23
Shanxi	0.036	67.59	0.07	-28.74
Inner Mongolia	0.625	2.85	2.05	-3.24
Liaoning	0.238	32.90	0.43	-25.53
Jilin	0.184	-33.71	0.69	-24.90
Heilongjiang	3.196	-3.09	9.61	12.38
Shanghai	0.040	-20.68	0.19	26.21
Jiangsu	0.118	-41.45	0.31	-41.18
Zhejiang	0.175	-49.45	0.39	-28.82
Anhui	0.145	-29.02	0.47	-13.76
Fujian	0.069	-80.19	0.23	-71.48
Jiangxi	0.041	-0.35	0.11	-1.08
Shandong	0.312	-45.57	0.98	10.54
Henan	0.037	-18.24	0.12	-8.43
Hubei	0.077	235.22	0.14	187.58
Hunan	0.467	0.76	1.36	8.59
Guangdong	0.016	-70.95	0.06	-23.66
Guangxi	0.040	195.92	0.07	167.54
Hainan				
Chongqing				
Sichuan	0.002		0.002	
Guizhou				
Yunnan	0.009	-69.84	0.03	-44.30
Tibet	0.010	17.24	0.03	17.76
Shaanxi	1.397	11.41	3.88	22.51
Gansu	0.046	-35.75	0.11	-46.34
Qinghai	0.000	0.00	0.00	0.00
Ningxia	0.317	55.45	0.50	6.90
Xinjiang	0.114	-39.82	0.31	-44.63

## 2.2 Economic Status of Dairy Processing Industry was Optimistic in Q1 2018

In Q1 2018, the sales revenue of China Dairy industry recorded 83.2 billion yuan, up by more than 12% YoY.

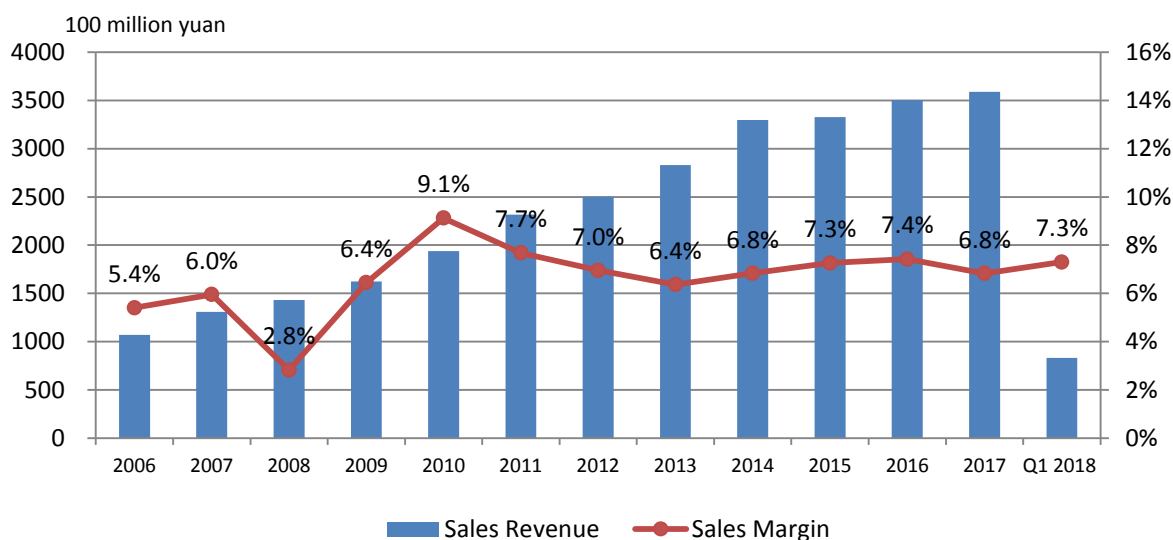
Profit-generation status of the industry was looking up. The total profit in Q1 was 6.1 billion yuan, up by more than 20% YoY. The sales margin rose to 7.3%. The deficit of loss-generating enterprises was 10% less YoY.

**Chart 15, Economic Indicators of Dairy Processing Industry**

Unit: Billion yuan

	Q1 2018	YoY Growth
Total Asset	293	10%
Sales Revenue	83.2	12%
Total Profit	6.1	21%
Deficit of Loss-generating Enterprises	0.76	-10%
Net Accounts Receivable	37.2	13%
Cargo Inventory	7.9	2%

**Chart 16, Sales Revenue and Sales Margin of China Dairy Processing Industry, 2006-2018**



### 3. Dairy Market

#### 3.1 Dairy Price Saw Steady Growth YoY; Price of Liquid Dairy Products Dropped MoM, and Price of Infant Formula Rose Continuously

According to the monitoring data from the Ministry of Commerce, compared with April 2017, the retail prices of dairy products rose steadily in April 2018.

Compared with March 2018, prices of UHT milk and yoghurt dropped; prices of infant formula and adult milk powder rose.

Chart 17, Dairy Products Price

Unit: UHT Milk yuan/liter, others yuan/kg

	Price	MoM Growth %	YoY Growth %
UHT Milk	11.54	-0.05	0.13
Yoghurt	14.39	-0.03	0.28
Infant Formula(Foreign brands)	228.57	0.9	9.51
Infant Formula(Local Brands)	177.23	1.23	7.14
Adult Milk Powder	94.68	0.37	0.8

Chart 18, Retail Price of UHT Milk, 2014-2018

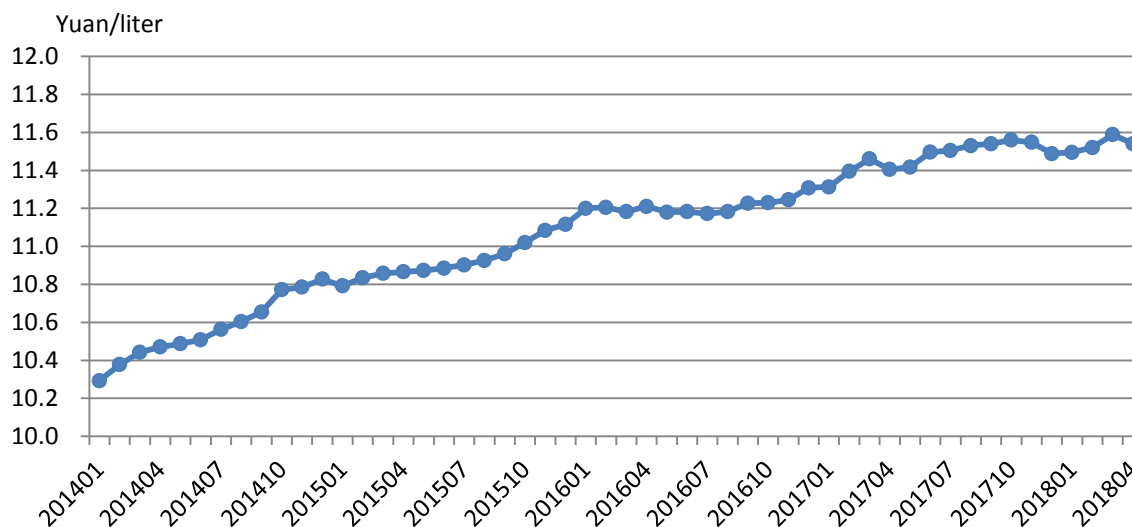




Chart 19, Retail Price of Yoghurt, 2014-2018

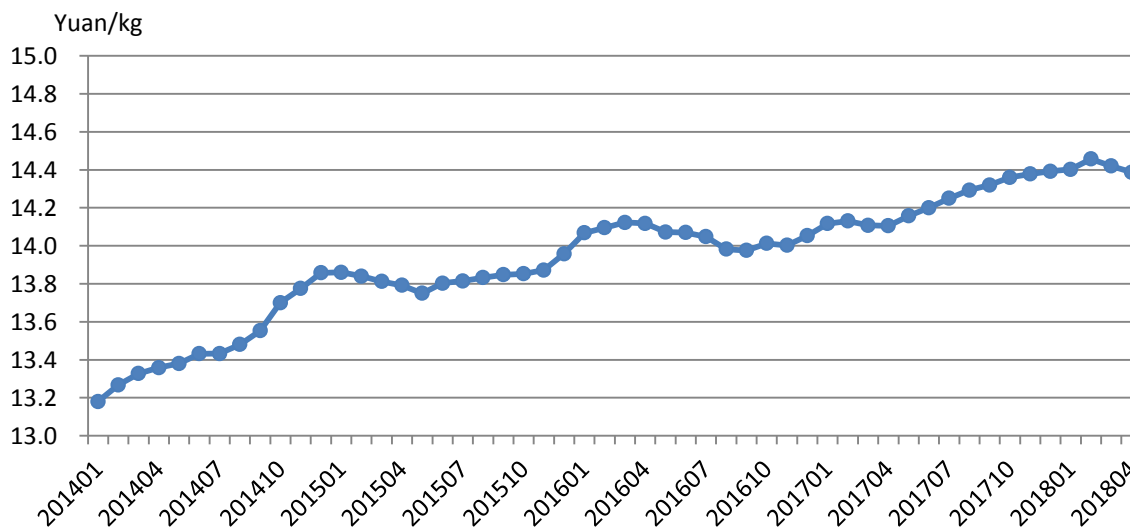
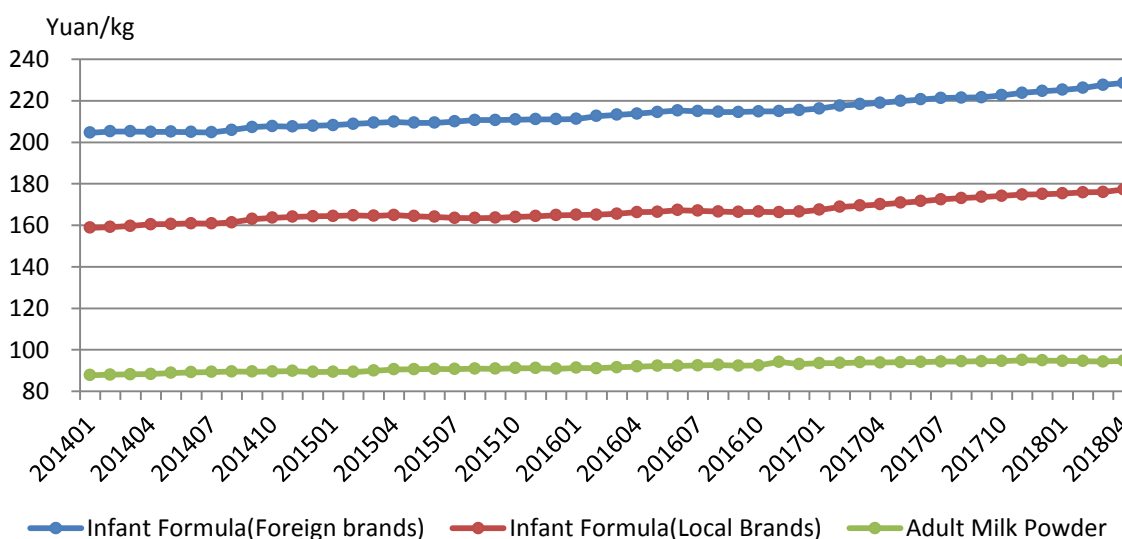


Chart 20, Retail Price of Infant Formula and Adult Milk Powder, 2014-2018



### 3.2 Trend of Yogurt Product Innovation

Yogurt innovation and diversification is a trend alongside the development of consumption market and upgrading of consumption. Innovation could center on taste, function, structure and consumption scenario after meeting consumers' demand for health, labeling and hygiene. Successful innovation includes:

(1) Breakthrough in function, exploration of more functions of yogurt.

Currently the functions of yogurt are mainly pro-digestion and improvement of gut vitality. As a type of mature healthy product, there could be more functional innovation and breakthrough. By learning from Japan which is developed in yogurt, the strains can be segmented to skin care, oral health, bone health and immunity system health.

(2)Breakthrough in consuming scenario and diversified ways of consumption.

This can be achieved through connected twin cups or exploration of cross-boundary yogurt product.

(3)Exploration of yogurt with special Chinese features. Cereals and grains and healthy food materials with features could be introduced as innovation points.

## 4. Companies

### 4.1 Yili Saw Steady Development Relying on Innovation, Grading and Precise Marketing; Targeting 77 Billion Yuan Revenue in 2018

The turnover of Yili was 68 billion yuan in 2017, up 12% YoY. Net profit stood at 6 billion yuan, up 6% YoY.

By product:

(1)The sales quantity of liquid dairy products (liquid milk, milk beverage and yogurt) in 2017 sustained the growing momentum from previous years, up 11% YoY to 7.27 million tons. Sales revenue of liquid dairy products was 55.8 billion, up 13% YoY.

(2)The sales quantity of solid products including infant formula reversed the falling trend and started to grow, up 11.5% YoY to 94,100 tons. Sale revenue was 6.43 billion yuan, up 18% YoY.

(3)Revenue from frozen drink stood at 4.6 billion yuan after upgrading and price increase despite the falling trend of both production and sales quantity.

According to BOABC,innovation and precise marketing are the key driving force for the growth of Yili.

(1)Innovation and upgrading

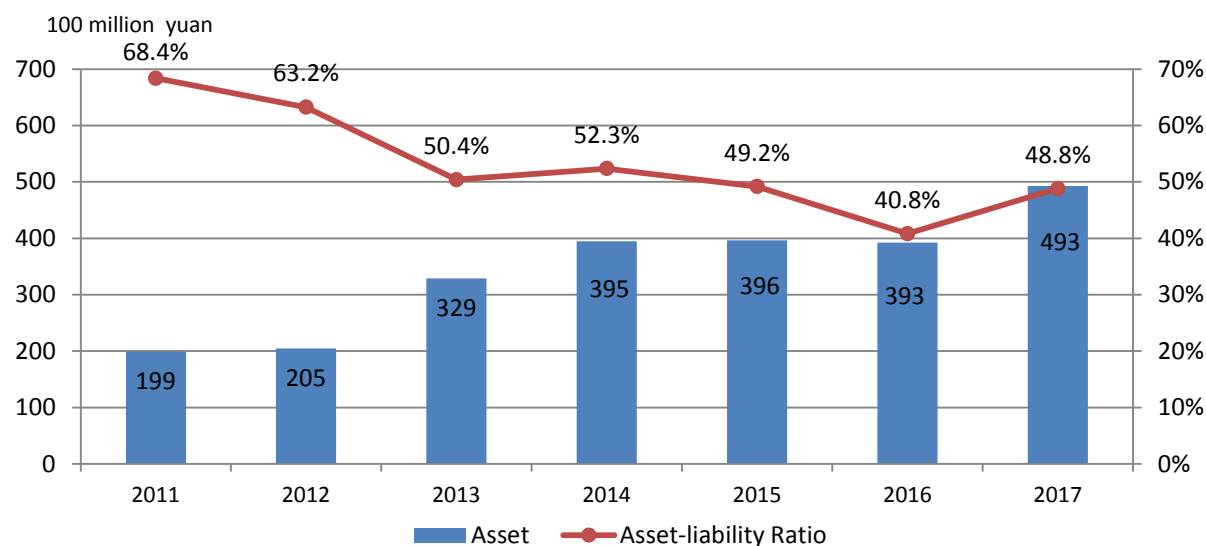
In 2017 Yili renovated the packaging and innovation of taste of AMBPOEIAL Greek Yogurt, upgraded the formula for Pro-Kido infant milk powder, Joy Day fermented milk, Yili Brown Charcoal Yogurt and Qiaolezi crispy chocolate coated ice cream were introduced to the market, and attracted consumers. Star products made up around 9.2% of the total sales.

## (2) Precise marketing

Yili put priority to SATINE, AMBPOEIAL, Changyi 100%, Changqing, Joy Day, Pro-Kido, Qiaolezi and Zhenxi products. The percentage of key products in the total of sales rose constantly, accounting for nearly half of the gross revenue of the company.

Yili sales target is 100 billion yuan in 2020, which means annual compound growth close to 15% during the four years from 2017-2020.

**Chart 21, Yili Asset and Asset-liability Ratio, 2011-2017**



**Chart 22, Yili Revenue and Net Profit, 2011-2017**

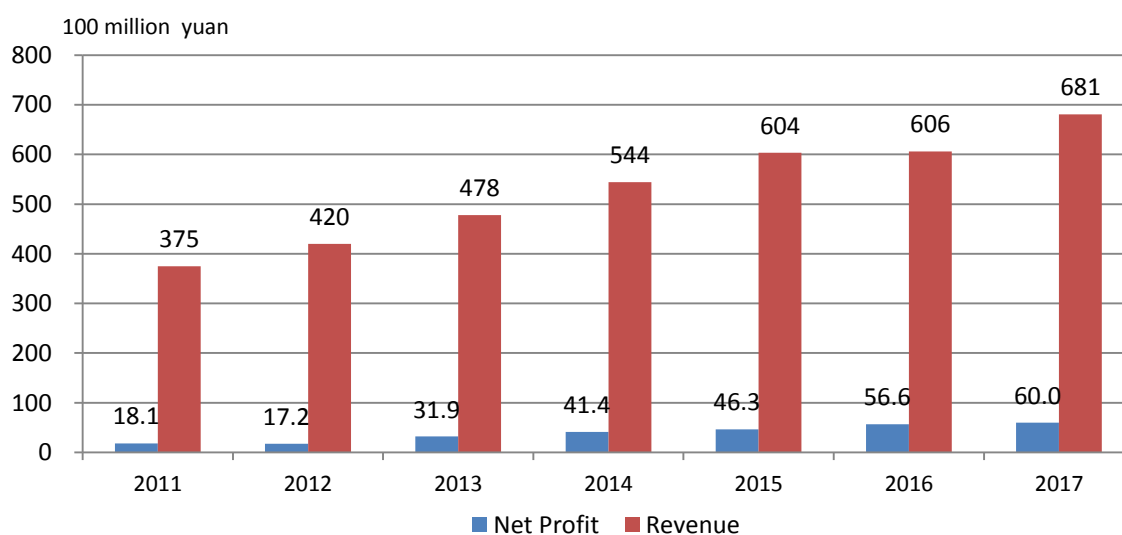


Chart 23, Yili Gross Margin and Net Profit Margin, 2011-2017

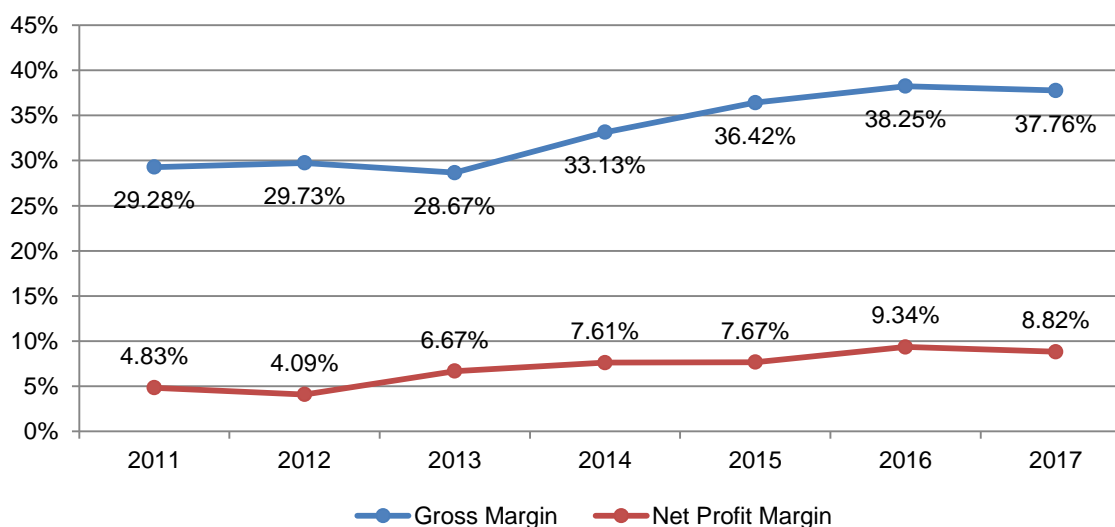


Chart 24, Yili Revenue by Product Segment, 2008-2017

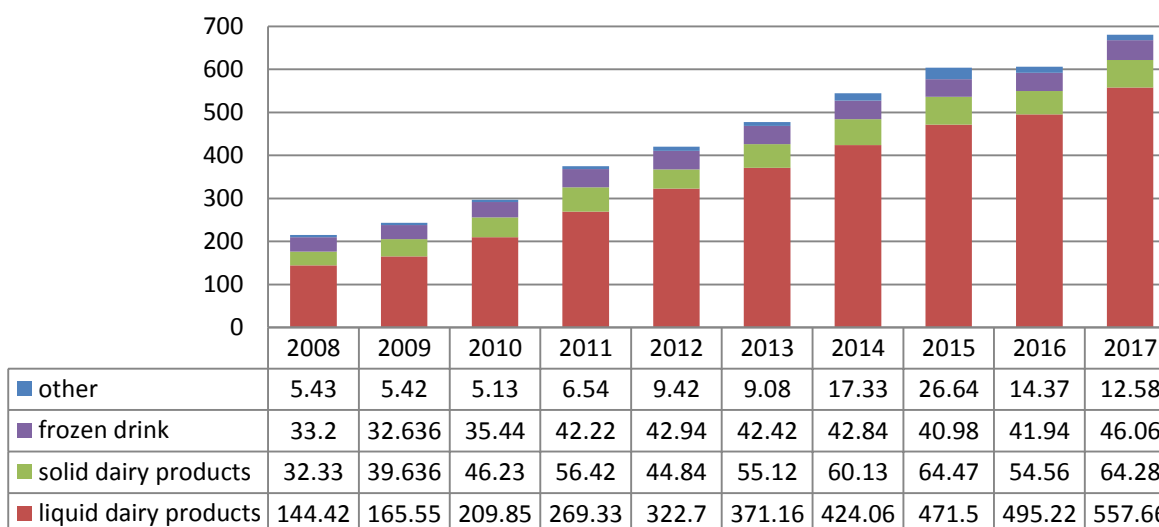


Chart 25, Yili Production by Product Segment, 2014-2017

	2014	2015	2016	2017
Liquid Dairy Products	581.20	639.67	661.59	724.60
Solid Dairy Products	9.15	9.32	8.85	9.42
Yili Production	590.36	648.99	670.44	734.02
Dairy Production in China	2652	2783	2993	2935
Share	22%	23%	22%	25%

Unit:10,000 ton

Chart 26, Yili Sales by Product Segment, 2014-2017

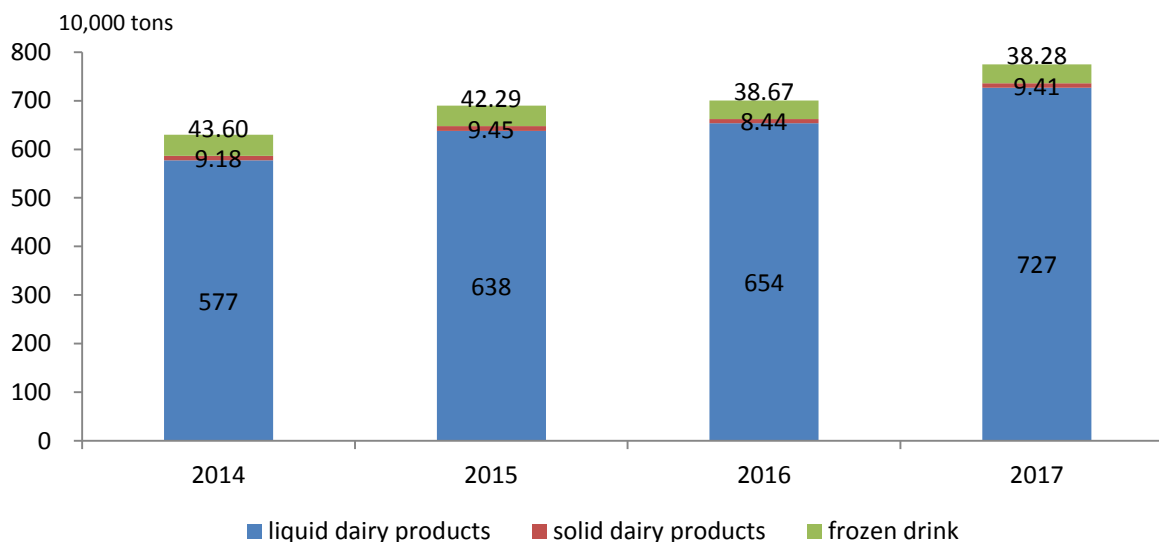
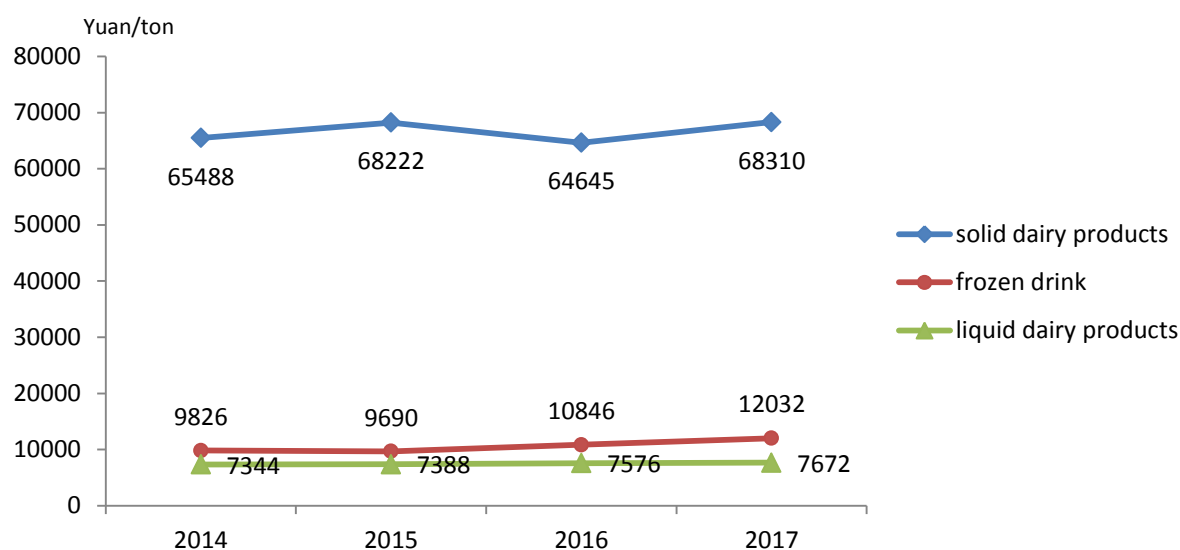


Chart 27, Prices by Product Segment, 2014-2017



## 4.2 Guangze Food, Only Listed Company Devoted to Cheese, Generated 200 Million Yuan Revenue from Cheese

### 1, Core Business

The core business of Shanghai Ground Food Tech Co., Ltd. is production and sales of cheese and liquid dairy. It is also engaged in trade of milk powder, butter and cheese. It is the only listed dairy company which takes cheese as the main direction.

Guangze has four cheese and liquid milk plants in Shanghai, Tianjin, Changchun and Jilin and it is a leading cheese producer in China. Types of product include ready-to-eat cheese, kitchen cheese and raw material for the catering industry.

The turnover of Guangze was 0.982 billion yuan in 2017. Net profit stood at 4.28 million yuan.

## 2, Operational model

The company purchases raw milk and cheese raw material for dairy processing. And products are sold through dealers, e-commerce platforms, malls and supermarkets.

For trade, it buys from dairy suppliers both at home and abroad and re-sell to domestic clients.

## 3, Main operational measures in 2017

(1) It introduces and reserves multiple new products and optimizes portfolio.

(2) There is in-depth channel exploration, offline retailing is comprehensively developed, and there is national layout except for Tibet and Ningxia. It explores new sales channels and product application range and raises clients' loyalty through exploration of key clients, segmentation of market, expansion of sales network and product customization.

(3) The cheese plant in Shanghai was in trial operation after renovation in 2017, which lays a support for the formulation of layout of cheese retailing.

## 4, Outlook

Guangze takes "stable liquid milk and growth of cheese" as its overall strategy. It expands its sales network and optimizes national layout. It aims at 1.2 billion yuan turnover in 2018 and net profit 30 million yuan.

**Chart 28, Revenue of Key Sub Companies of Guangze Food**

Unit: 100 million yuan

	2015	2016	2017	YoY Growth
Guangze Dairy	5.26	4.92	8.13	65%
Milkland	0.86	1.27	2.25	77%

**Chart 29, Production and Sales by Product**

	Production (ton)	Sales (ton)	YoY Growth	Inventory (ton)	Revenue (billion yuan)	Cost (billion yuan)	Gross Margin
Liquid Dairy Products	62514	61657	89%	946	0.425	0.283	33.4%
Cheese	6445	5805	45%	829	0.193	0.127	34.4%
Trading Business	-	15791	-	937	0.36	0.345	4.4%

### 4.3 Xinjiang Tianrun Sets Successful Model for Regional Dairy Companies: Priority on Low-temperature Yogurt, Adherence to Differentiation and Focus on Innovation and Resource

The turnover of Xinjiang Tianrun Dairy Co., Ltd. recorded 1.24 billion yuan in 2017, up 42%. Net profit stood at 99 million yuan, up 27%.

From 2014 to 2017, Sales of Tianrun rose from 44 thousand tons to 137 thousand tons, a CAGR of 50%. Sales revenue rose from 0.33 billion yuan to 1.24 billion yuan, a CAGR of 60%. And revenue from yoghurt rose from 96 million yuan to 830 million yuan, a CAGR of 100%.

The fast growth is attributable to the following factors:

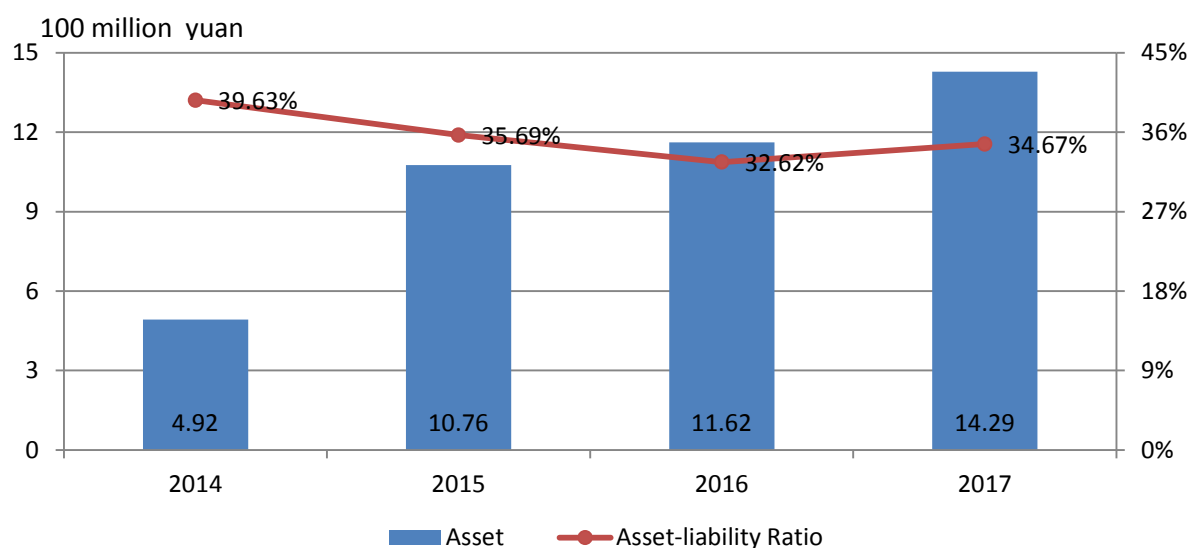
(1)The company has an explicit product development strategy. It takes the development opportunity of low-temperature yogurt. 65% of its products are low-temperature yogurt and the low-temperature orientation let the company grasped the big opportunity of the yogurt market in recent years.

(2)The company is Market-oriented, with differentiation and innovation as the principle, the company continues to optimize its product portfolio to meet the market demand.

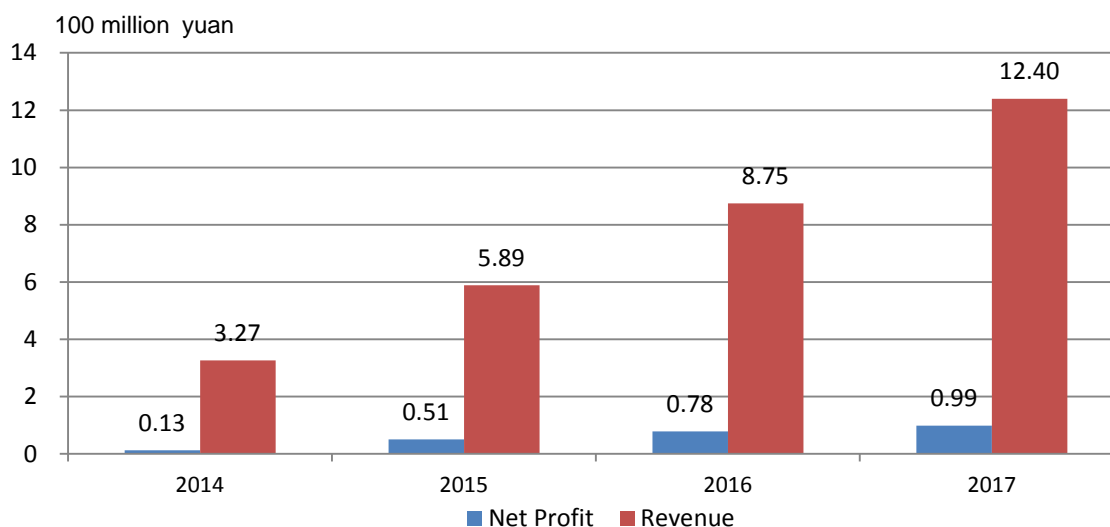
(3)The company focuses its resources on important products channels.

(4)It fully utilizes the differences of dairy products and special features of Xinjiang, and takes the opportunity to explore external market. A perfect external marketing network has been established and the revenue from external market has grown rapidly.

Chart 30, Tianrun Asset and Asset-liability Ratio, 2011-2017



**Chart 31, Tianrun Revenue and Net Profit, 2011-2017**



**Chart 32, Tianrun Gross Margin and Net Profit Margin, 2011-2017**

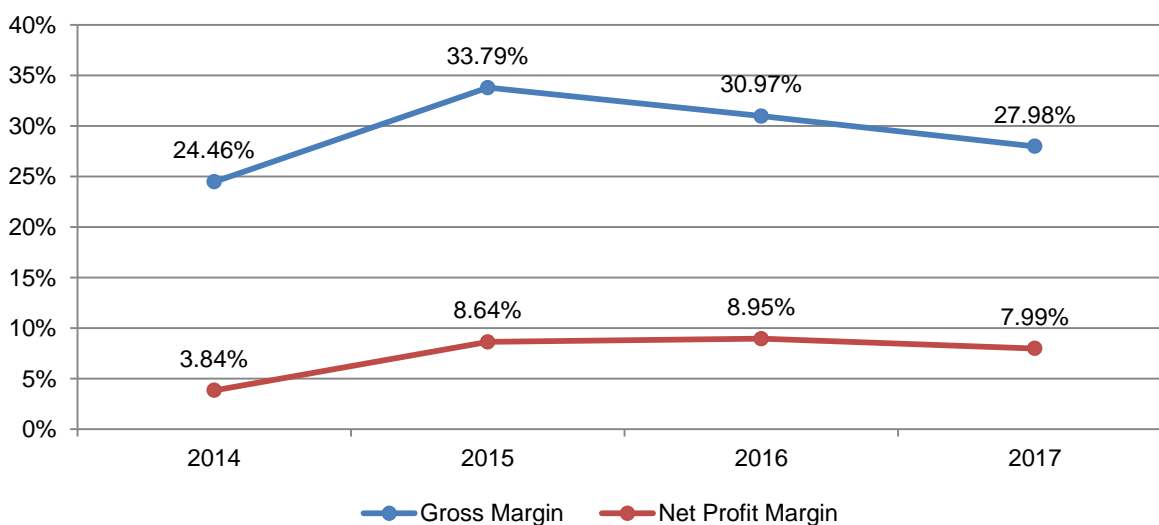




Chart 33, Tianrun Revenue by Product Segment, 2014-2017

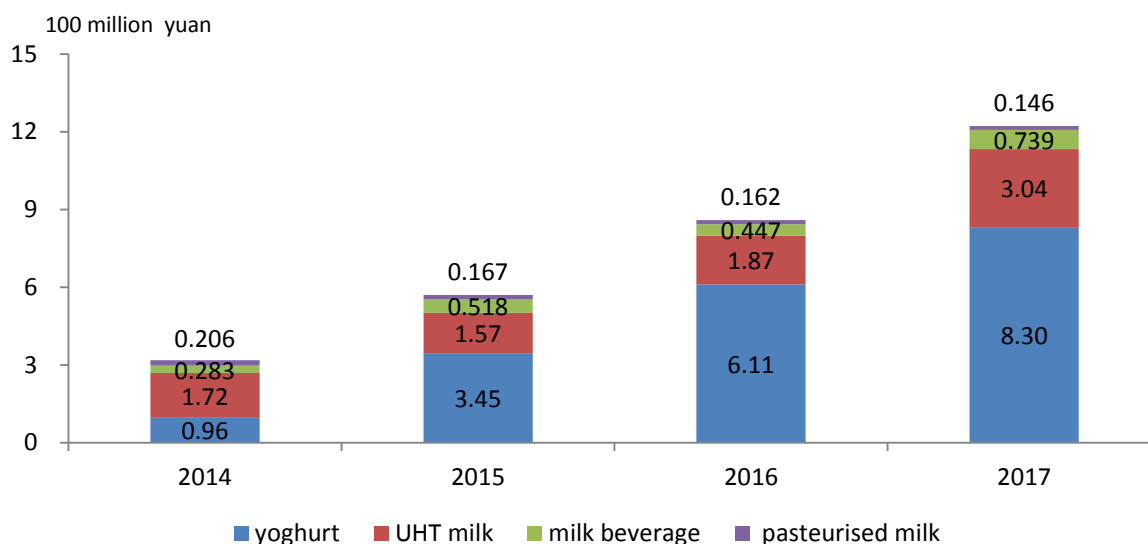
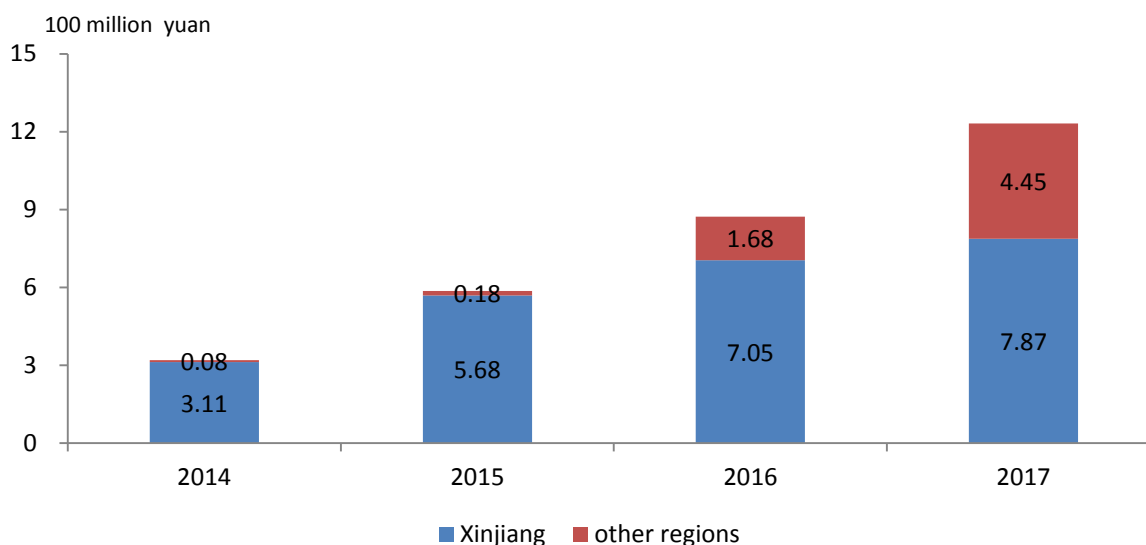


Chart 34, Tianrun Revenue by Region, 2014-2017



#### 4.4 Losing Control over Channels, Beingmate Witnesses Deterioration of Operation

The revenue of Beingmate (Fonterra holds nearly 19% shares in it and is the second largest shareholder) has been sliding continually, the deficit is on the rise and turnover keeps deteriorating.

From 2013 to 2017, the revenue of Beingmate dropped from 6.1 billion yuan to 2.66 billion yuan; sales of infant formula dropped from 55 thousand tons to 20 thousand tons.

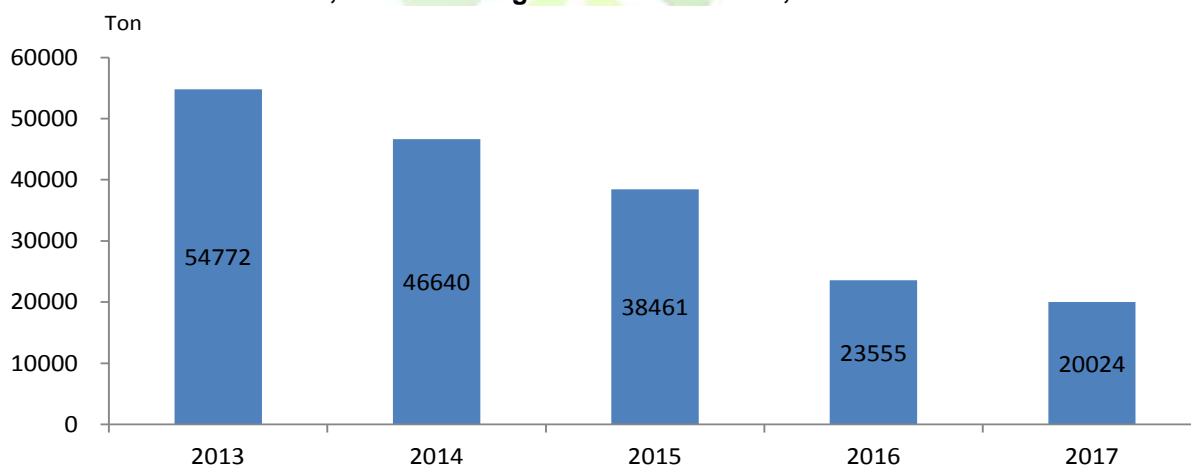
In Q1 2018, the revenue was 0.54 billion yuan, down 36% YoY.

Reasons:

- (1) Intensive competition of the infant formula market.
- (2) Products are not readjusted effectively according to consumption changes.
- (4) Internal management problem, frequent change of top managers and loss of marketing team members.
- (4) Losing control over channels, serious fleeing goods, marketing fee was intercepted by channel dealers and promotion did not reach retailing end.

Of which losing of control over the channels are regarded as the main cause for the slide of revenue.

**Chart 35, Sales of Beingmate Infant Formula, 2013-2017**



**Chart 36, Beingmate Asset and Asset-liability Ratio, 2011-2017**

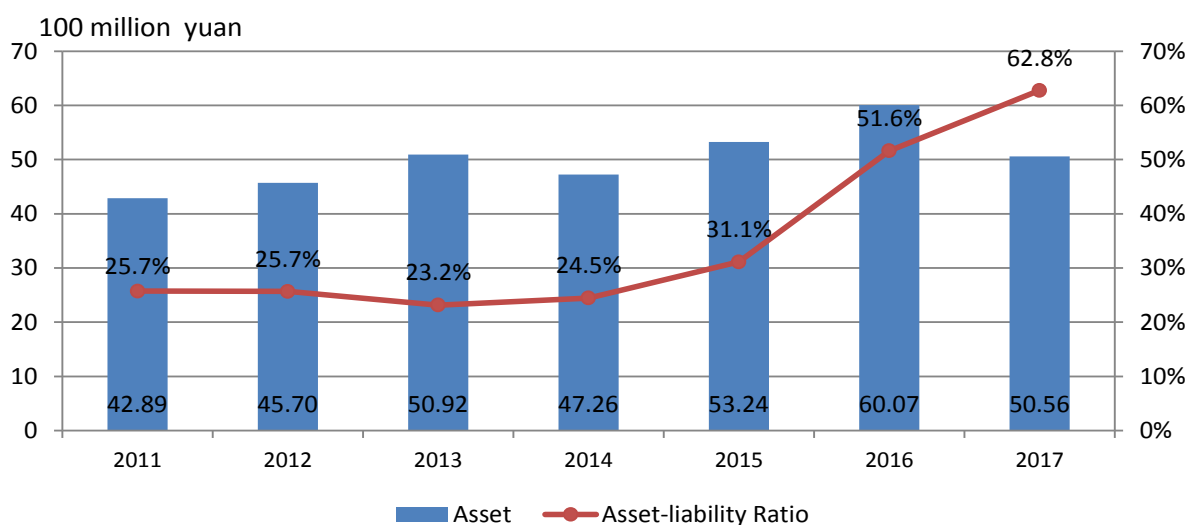


Chart 37, Beingmate Revenue and Net Profit, 2011-2017

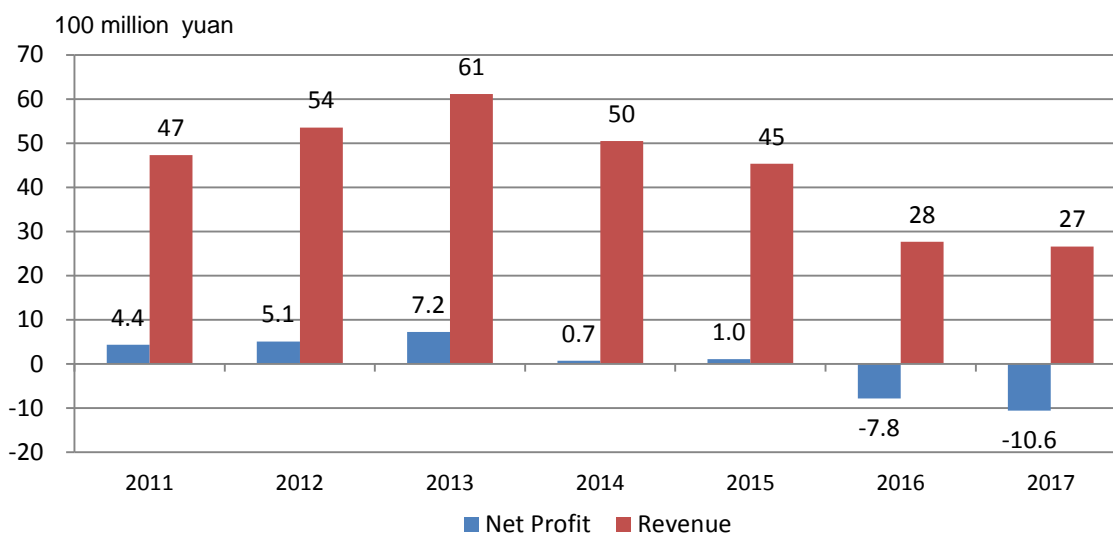
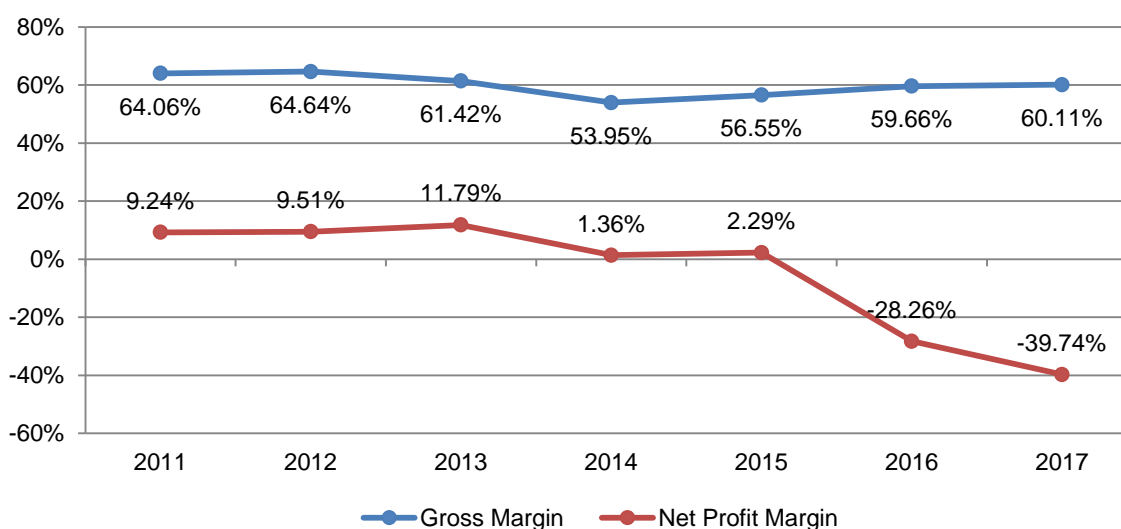


Chart 38, Beingmate Gross Margin and Net Profit Margin, 2011-2017



#### 4.5 Positive Operation of Listed Dairy Companies in Q1 2018

In Q1 2018, the dairy processing industry improved further from the perspective of the performance of listed companies.

As the number one, Yili gained a revenue of 20 billion yuan in Q1, up 25% YoY. And its net profit rose by 21% to 2.1 billion yuan.

Revenue of regional companies such as Sanyuan, Tianrun and Kedi all saw 20%-higher growth.

Modern Farming, the listed dairy farming enterprise, reversed deficit and started to generate profit in Q1 2018, the growth of revenue was around 5%.

**Chart 39, Revenue and Net Profit of Listed Dairy Companies in Q1 2018**

Unit: 100 million yuan

	Revenue			Net Profit		
	Q1 2018	Q1 2017	YoY Growth	Q1 2018	Q1 2017	YoY Growth
Yili	197.53	157.9	25.1%	21	17.34	21.1%
Sanyuan	17.53	13.83	26.8%	0.355	0.131	171.0%
Tianrun	2.998	2.432	23.3%	0.281	0.236	19.0%
Kedi	2.73	2.253	21.2%	0.234	0.226	3.6%
Yantang	2.586	2.369	9.1%	0.095	0.120	-21.1%
Modern Farming	13.44	12.84	4.7%	0.029	-1.022	-
Guangze	1.892	1.989	-4.9%	-0.201	0.045	-543.6%
Guangming	50.99	53.66	-5.0%	1.336	1.87	-28.6%

#### 4.6 Sanyuan Accords Priority to UHT Yogurt

Sanyuan intends to devote great effort to UHT yogurt - Iceland Yogurt in 2018 and the sales target is 320 million yuan. It hopes to see UHT yogurt as a new revenue growth point and mobilize restructuring of the product portfolio.

For specific measures, the company set up an Iceland task force, plans to introduce new products with strawberry, raspberry, mango and yellow peach, and brown yogurt, and it sponsors Beijing TV hit program "Cross-boundary singing king".

#### 4.7 CITIC Agricultural Fund to Buy Shares in Ausnutria Dairy

Ausnutria, which is listed in Hong Kong, plans to issue 240 million shares to CITIC Agricultural Fund, meanwhile Shengde Pharmaceutical Plant, the largest shareholder of Ausnutria, would transfer 130 million shares to CITIC Agricultural Fund. After the transaction, CITIC Agricultural Fund shall become the largest shareholder of Ausnutria by holding 25.18% shares. CITIC would pay 2 billion HK\$ for this.

Ausnutria saw rapid growth of both revenue and net profit in recent years through restructuring of product portfolio, enlargement of production capacity, diversified brand development strategy and expansion of sales channels.

Chart 40, Ausnutria Asset and Asset-liability Ratio, 2011-2017

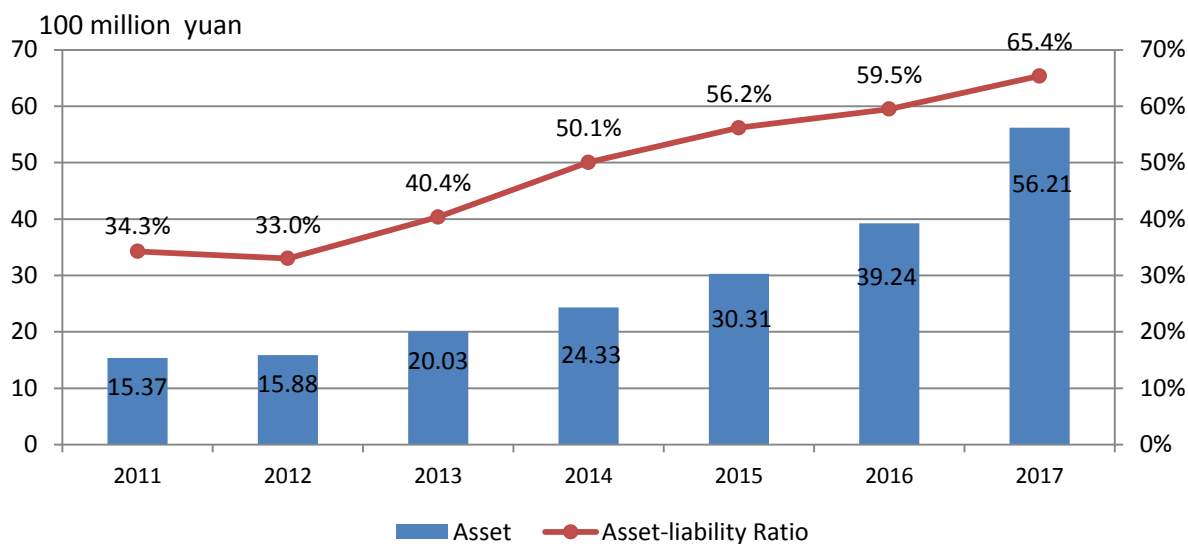


Chart 41, Ausnutria Revenue and Net Profit, 2011-2017

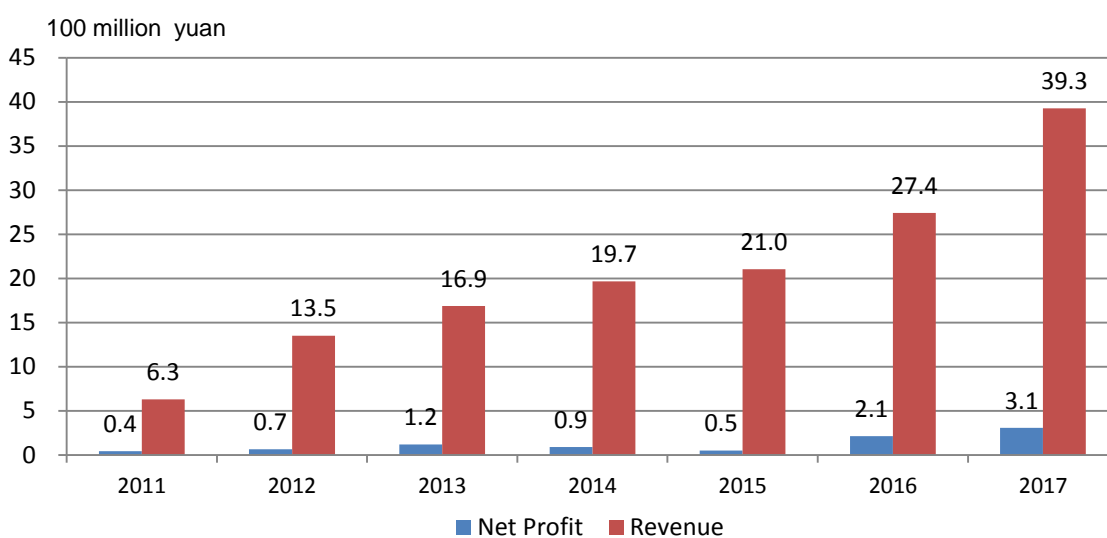
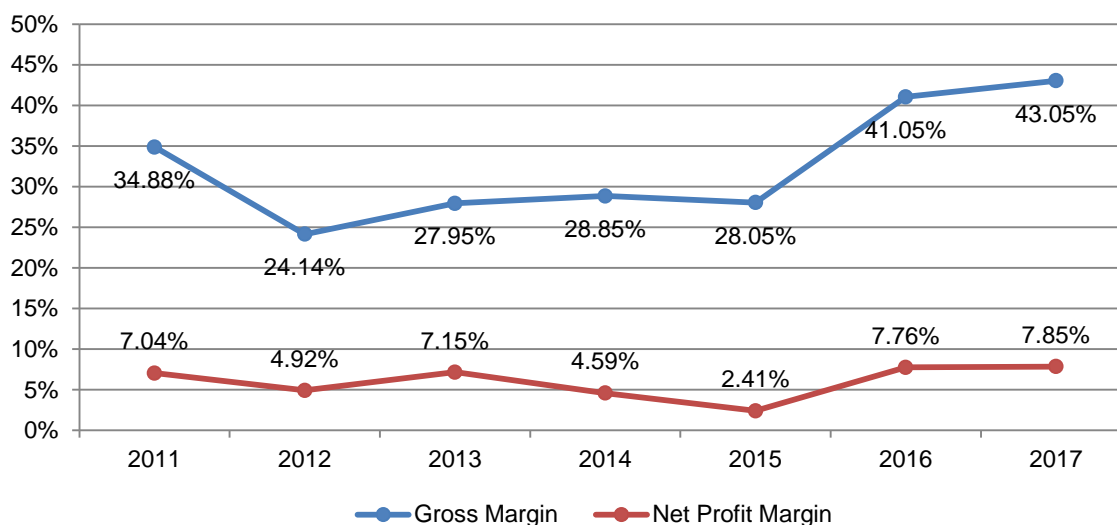


Chart 42, Ausnutria Gross Margin and Net Profit Margin, 2011-2017



#### 4.8 Lepur Yogurt Got Investment from Coca Cola

Lepur Yogurt got a new round of financing, Coca Cola leads the investment of hundreds of millions yuan. This is the first time Coca Cola undertakes strategic investment and cooperation with a venture company in Asia. Lepur and Coca Cola shall cooperate in product innovation, channel innovation, digital innovation and innovative brand hatching.

The raised fund shall be used for product portfolio expansion, channeling and innovation.

Lepur was set up in 2015, at that time the advertisement was on Greek yogurt (high-protein whey-filtered yogurt). After digital marketing and customer center operation, at present two types of new products are introduced to the market each month. However Lepur has not unveiled any operational data.

It should be noted that some yogurt marketing experts informed Lepur product price is too high, the consuming group is too small and the rate of repeated purchase is not high, hence the prospect of the company is not optimistic.

### 5. Dairy Trade

#### 5.1 China Imported 663 Thousand Tons Dairy in Q1 2018, up 15% YoY

China imported 173,019 tons dairy in March, value 363 million USD, up 1.4% and 0.5% YoY respectively.

In Q1 2018, China imported 663 thousand tons dairy, value close to 1.6 billion USD, up 15% and 20% YoY Respectively. Butter import quantity fell by 5% and other dairy products imports were up by more than 10%.

**Chart 43, Dairy Import by Variety in March and Q1 2018**

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Liquid Milk	55,642	71,907	16.2	37.8	156,389	197,175	28.9	43.6
Milk Powder	46,068	138,991	-15.9	-18.8	298,005	901,278	10.2	16.5
Condensed Milk	2,816	5,206	18.8	19.3	5,842	10,860	13.1	15.7
Yoghurt	2,576	5,231	-10.9	-12.1	8,199	16,280	36.4	39.8
Whey Products	49,571	50,753	4.3	-9.9	136,777	144,968	11.5	-2.1
Butter	9,374	57,599	49.1	84.2	31,181	196,996	29.8	82.9
Cheese	6,971	33,730	-21.8	-16.2	26,721	127,204	-4.9	3.8
Total	173,019	363,417	1.4	0.5	663,115	1,594,762	14.8	21.7

**Chart 44, Dairy Import by Code in March and Q1 2018**

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
04011000	6,738	5,341	72.4	123.1	17,844	13,135	86.6	137.2
04012000	39,791	35,123	9.8	23.1	116,484	106,559	30.9	54.0
04014000	11	29	-7.1	29.3	11	31	-66.9	-44.8
04015000	9,102	31,414	17.6	48.0	22,049	77,450	-3.1	24.0
04021000	17,882	39,190	-15.9	-28.6	82,480	179,440	10.9	-0.3
04022100	27,308	92,783	-17.4	-18.4	213,394	704,560	9.3	19.8
04022900	879	7,017	98.5	171.6	2,131	17,278	127.2	201.6
04029100	1,382	3,164	-20.9	-7.9	2,923	6,598	-19.3	-6.3
04029900	1,435	2,042	130.0	120.7	2,919	4,262	87.2	80.8
04031000	2,153	4,281	5.3	13.8	7,017	13,788	55.0	75.1
04039000	423	950	-50.0	-56.5	1,182	2,492	-20.3	-33.8
04041000	49,409	50,221	4.4	-9.4	136,201	142,381	11.5	-2.1
04049000	162	532	-30.0	-39.3	576	2,587	-3.6	-1.2
04051000	7,738	46,423	82.4	129.3	24,715	152,568	32.5	91.3
04059000	1,636	11,176	-19.9	1.4	6,465	44,429	20.8	59.1
04061000	1,540	6,646	-62.7	-59.8	9,327	41,235	-26.0	-17.7
04062000	2,684	12,989	37.5	39.5	7,051	34,557	38.3	49.4
04063000	1,054	5,802	-7.0	-4.2	2,928	16,563	-17.3	-9.8
04064000	101	615	502.5	429.3	256	1,526	739.9	567.9
04069000	1,592	7,679	-5.3	-6.9	7,160	33,323	4.9	8.6
Total	173,019	363,417	1.4	0.5	663,114	1,594,762	14.8	21.7

## 5.2 China Imported 156 Thousand Tons Liquid Milk in Q1 2018, up 30% YoY

China imported 55,642 tons liquid milk in March, up 16% YoY; value 72 million USD, up 38% YoY. The average import price for liquid was about 1,292 USD/ton, down 9% MoM and up 19% YoY.

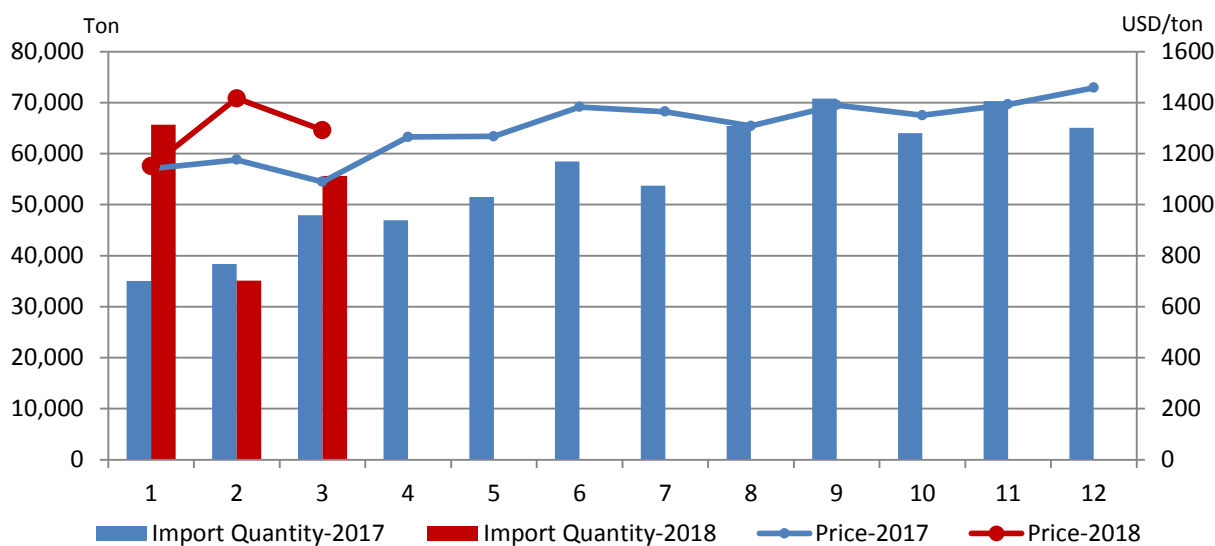
In Q1 2018, the import of liquid milk was 156,388 tons, up 30% YoY. Import from New Zealand accounted for 40%.

Chart 45, Liquid Milk Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	55,642	71,907	16.2	37.8	156,388	197,175	28.9	43.7
New Zealand	16,800	25,129	16.6	30.4	48,320	72,310	11.2	17.3
Germany	15,678	13,788	-3.3	19.5	38,483	32,703	0.3	24.5
France	4,854	11,935	-15.2	18.9	23,636	42,582	103.0	94.3
Australia	8,172	8,406	51.7	71.6	20,121	19,585	75.5	85.6
Poland	3,564	2,520	420.0	528.0	8,824	6,340	281.1	379.2

Chart 46, Monthly Import of Liquid Milk, 2017-2018





### 5.3 China Imported 82 Thousand Tons SMP in Q1 2018, up 11% YoY

China imported 17,882 tons SMP in March, value 39 million USD, down 16% and 29% YoY respectively. The average import price for SMP was about 2,192 USD/ton, up 5% MoM and down 15% YoY.

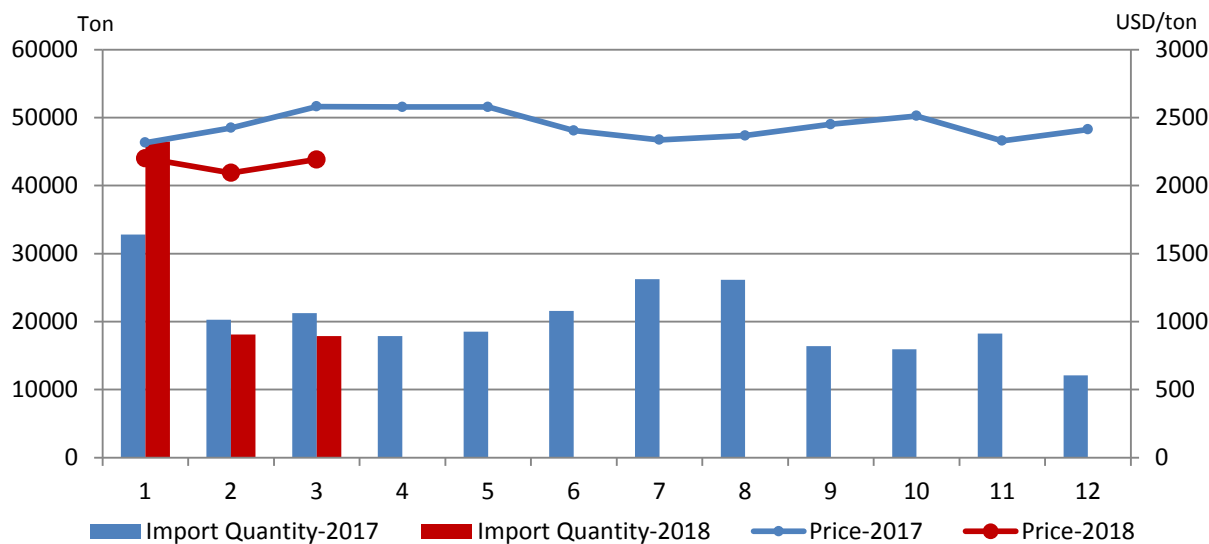
In Q1 2018, the import of SMP was 82,480 tons, up 11% YoY. The import value was down by 0.2% to 0.18 billion USD. Import from New Zealand accounted for 75%.

Chart 47, SMP Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	17,882	39,190	-15.9	-28.6	82,480	179,440	10.9	-0.2
New Zealand	10,021	19,598	3.1	-24.4	64,286	132,987	39.9	19.2
Australia	2,821	9,171	24.9	35.1	6,252	20,694	-3.0	17.9
USA	2,302	4,214	-8.9	-27.0	5,048	9,684	-8.1	-22.4
Finland	749	1,548	-67.9	-71.9	1,609	3,357	-69.5	-72.1
Germany	275	642	-31.9	-34.5	1,281	2,944	105.2	90.1

Chart 48, Monthly Import of SMP, 2017-2018



## 5.4 China Imported 213 Thousand Tons WMP in Q1 2018, up 9% YoY

China imported 27,308 tons WMP in March, value 93 million USD, down 17% and 18% YoY respectively. The average import price for WMP was about 3,397 USD/ton, up 5% MoM and down 1% YoY.

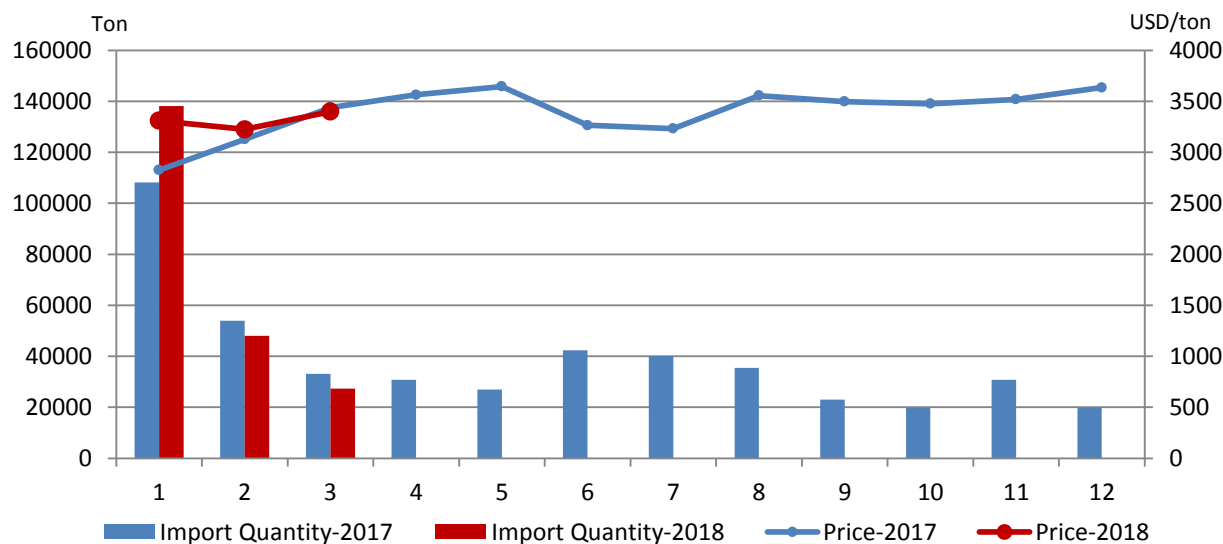
In Q1 2018, the import of WMP was 213,394 tons, up 9% YoY. Import from New Zealand accounted for 95%.

Chart 49, WMP Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	27,308	92,783	-17.4	-18.4	213,394	704,560	9.3	19.9
New Zealand	23,424	74,729	-20.6	-24.9	206,786	667,753	11.7	22.0
Australia	880	5,856	58.8	83.6	2,034	13,237	-15.6	19.2
USA	1,494	4,925	193.0	137.3	1,561	6,256	31.0	22.8
France	931	3,583	-47.9	-38.8	1,195	4,996	-76.5	-69.8
Holland	206	1,592	60.3	55.7	692	5,545	33.1	52.6

Chart 50, Monthly Import of WMP, 2017-2018



## 5.5 China Imported 8199 Tons Yoghurt in Q1 2018, up 36% YoY

China imported 2,576 tons yoghurt in March, value 5.23 million USD, down 11% and 12% YoY respectively. The average import price for yoghurt was about 2,030 USD/ton, up 7% MoM and down 1% YoY.

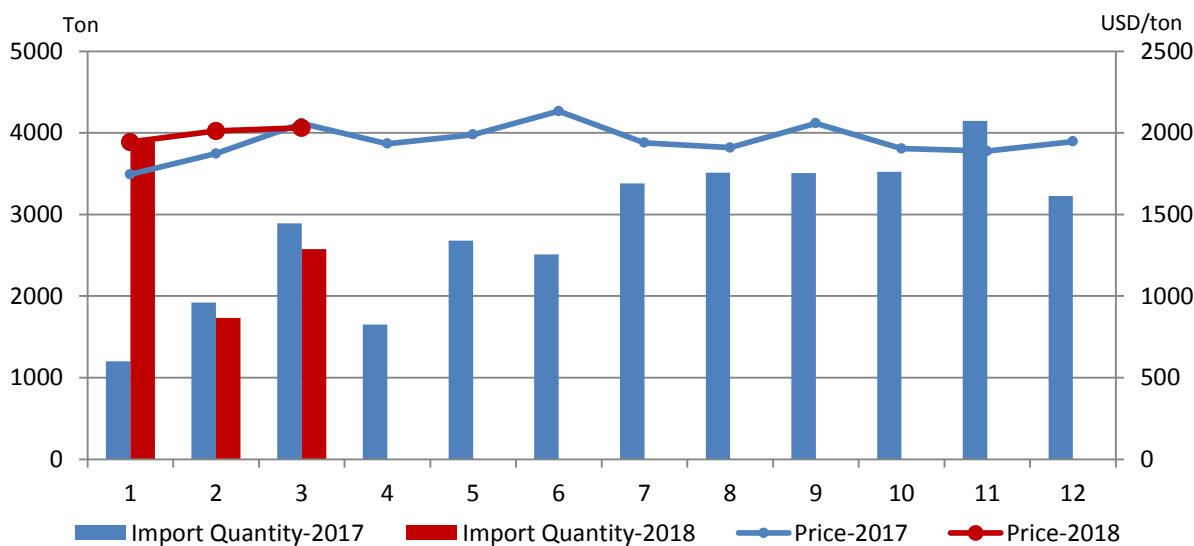
In Q1 2018, the import of yoghurt was 8,199 tons, up 36% YoY. Import from Germany accounted for 80%.

Chart 51, Yoghurt Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	2,576	5,231	-10.9	-12.0	8,199	16,280	36.2	39.1
Germany	1,924	3,643	23.9	48.5	6,267	11,945	79.1	120.6
New Zealand	402	869	-37.9	-55.9	825	1,765	-28.9	-47.0
Austria	68	93	165.5	172.7	238	325	177.5	216.3
France	8	36	110.3	19.0	217	396	611.1	198.2
Poland	44	55	-39.5	-58.2	179	262	18.7	31.9

Chart 52, Monthly Import of Yoghurt, 2017-2018



## 5.6 China Imported 137 Thousand Tons Whey in Q1 2018, up 12% YoY

China imported 49,571 tons whey in March, value 39 million USD, up 4% and down 10% YoY respectively. The average import price for whey was about 1,023 USD/ton, down 2.5% MoM and 14% YoY.

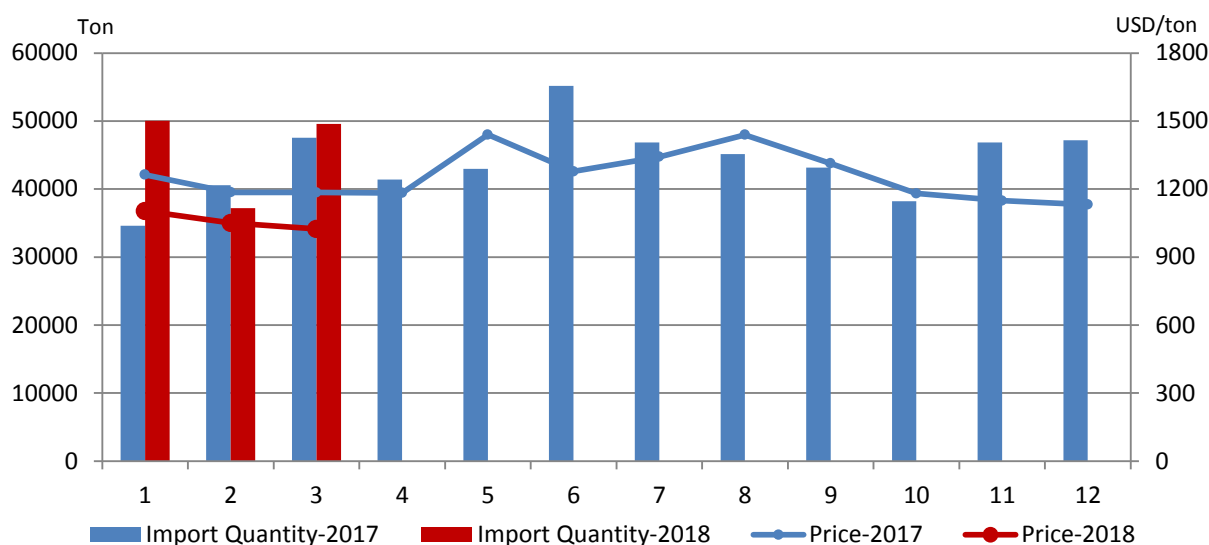
In Q1 2018, the import of whey was 136,777 tons, up 12% YoY. Import from USA accounted for 55%.

Chart 53, Whey Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	49,571	50,753	4.3	-9.9	136,777	144,968	11.5	-2.2
USA	27,084	20,219	-10.8	-32.7	75,454	59,515	4.7	-16.5
France	4,861	6,971	8.5	-9.9	14,694	21,899	-0.3	-15.9
Holland	5,205	6,133	273.9	194.3	11,924	15,149	59.2	39.2
Poland	2,950	2,368	32.8	13.8	8,879	7,171	20.8	5.4
Argentina	2,709	2,658	86.2	81.0	6,179	5,911	63.2	54.9

Chart 54, Monthly Import of Whey, 2017-2018



## 5.7 China Imported 31 Thousand Tons Butter in Q1 2018, up 30% YoY

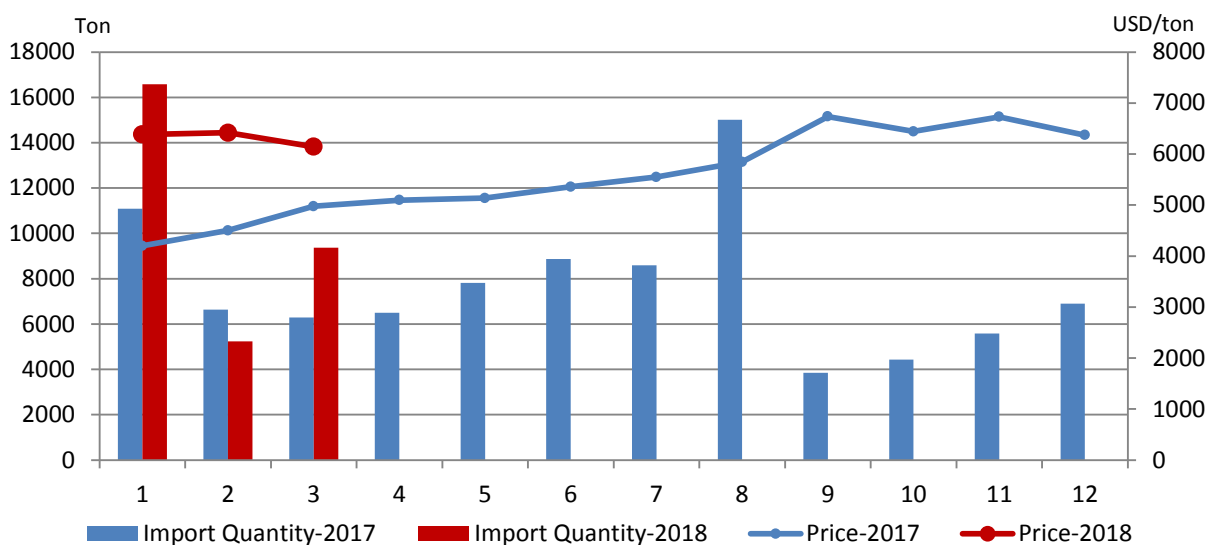
China imported 9,37 tons butter in March, value 57.6 million USD, up 49% and 84% respectively. The average import price for butter was about 6,144 USD/ton, down 4% MoM and up 24% YoY. In Q1 2018, the import of butter was 31,180 tons, up 30% YoY. Import from New Zealand accounted for more than 90%.

Chart 55, Butter Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	9,374	57,599	49.1	84.2	31,180	196,997	29.9	82.9
New Zealand	8,522	51,303	63.5	105.3	28,932	179,766	34.8	92.8
France	346	2,639	-28.9	-12.2	872	6,919	-24.6	1.5
Australia	164	1,136	0.5	48.8	525	3,385	33.7	84.5
Belgium	166	1,379	-26.5	-5.1	396	3,661	-16.8	19.6
Holland	68	415	-43.9	-38.8	177	1,325	-44.2	-23.3

Chart 56, Monthly Import of Butter, 2017-2018



## 5.8 China Imported 26.7 Thousand Tons Cheese in Q1 2018, down 5% YoY

China imported 6,971 tons cheese in March, value 33.7 million USD, down 22% and 16% respectively. The average import price for cheese was about 4,838 USD/ton, up 2% MoM and 7% YoY.

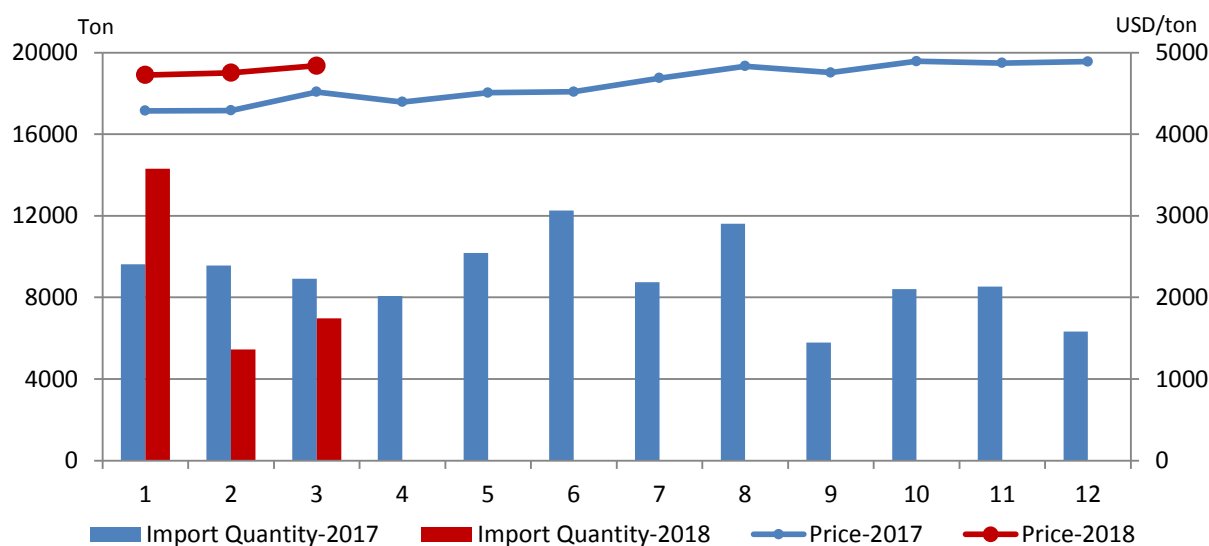
In Q1 2018, the import of cheese was 26,721 tons, down 5% YoY. Of which, fresh cheese import was 9,327 tons, down 30% YoY; Grated or powdered cheese import was more than 7000 tons, up 40%.

Chart 57, Cheese Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	6,971	33,730	-21.8	-16.2	26,721	127,204	-5.0	3.6
New Zealand	2,301	10,781	-43.2	-38.7	14,151	64,982	-7.0	0.5
Australia	1,436	6,512	-35.4	-27.6	4,020	18,189	-35.7	-26.2
USA	1,567	6,657	63.5	45.0	3,490	15,471	43.8	34.8
Denmark	355	2,085	7.5	7.5	914	5,686	-0.9	30.4
France	148	1,205	-45.1	-33.5	611	4,200	-9.3	-5.0

Chart 58, Monthly Import of Cheese, 2017-2018



## 5.9 China Imported 61.6 Thousand Tons Infant Formula in Q1 2018, up 17% YoY

China imported 23,453 tons infant formula in March, value 344 million USD, up 4% and 17% respectively. The average import price for infant formula was about 14,672 USD/ton, down 2% MoM and up 13% YoY.

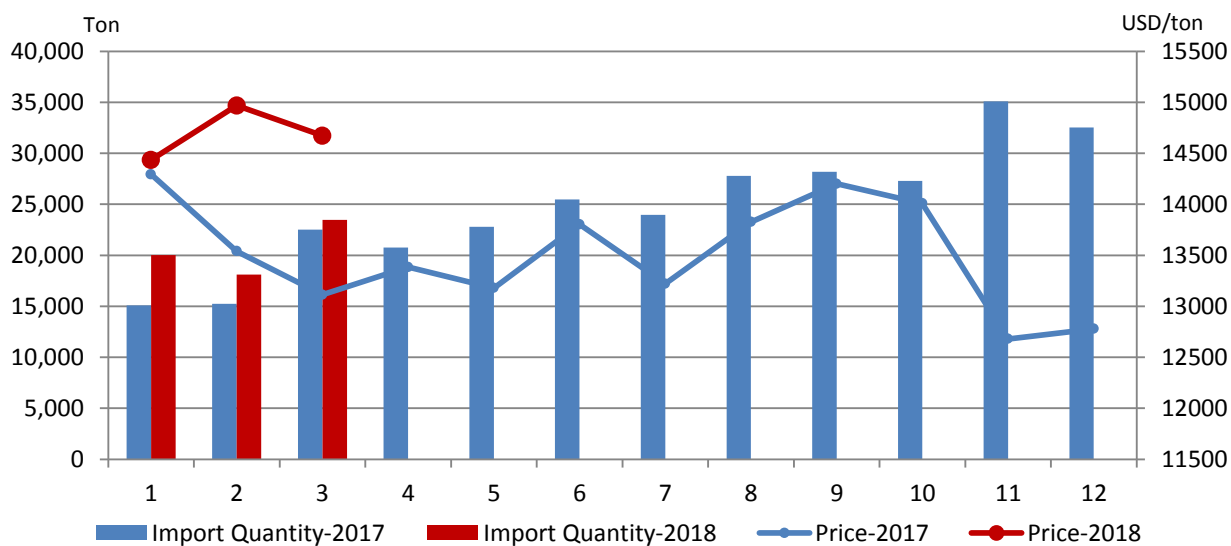
In Q1 2018, the import of infant formula was 61,584 tons, up 17% YoY. Import from Holland accounted for 40%.

Chart 59, Infant Formula Import in March and Q1 2018

Unit: Ton, 000USD

	March				Q1 2018			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Total	23,453	344,107	4.2	16.6	61,584	904,160	16.5	26.0
Holland	10,064	145,248	39.5	62.2	25,063	357,504	48.9	63.9
New Zealand	2,920	53,168	-2.5	17.0	8,292	150,207	37.8	65.9
Ireland	2,036	35,633	-3.7	27.6	7,035	111,225	44.5	62.7
Germany	3,050	51,531	-14.6	-21.8	7,203	128,165	-22.7	-23.5
France	2,829	25,735	-4.1	-2.7	6,724	60,968	0.0	0.8

Chart 60, Monthly Import of Infant Formula, 2017-2018



## 5.10 China Exported 8000 Tons Dairy in Q1 2018, up 20% YoY

China exported 3,025 tons dairy in March, value 4.33 million USD, up 19% and 27% YoY respectively.

In Q1 2018, China exported 7,956 tons dairy, value close to 11.35 million USD, up 19% and 21% respectively.

Chart 61, Dairy Export by Variety in March and Q1 2018

Unit: Ton, 000USD

	March				January - March			
	Quantity	Value	YoY Growth %		Quantity	Value	YoY Growth %	
			Quantity	Value			Quantity	Value
Liquid Milk	2,131.9	2,039.3	21.7	39.3	5,803	5,541	23.8	40.7
Milk Powder	245.2	676.3	-25.4	10.9	565	1,696	-14.5	-2.6
Condensed Milk	170.9	336.5	-28.4	-35.6	521	974	-34.4	-43.2
Yoghurt	245.7	491.3	801.1	503.0	541	1,103	181.6	226.7
Whey Products	48.8	84.2	-28.2	-38.3	53	107	-22.4	-22.3
Butter	178.1	664.4	47.2	19.3	437	1,691	45.3	19.8
Cheese	4.6	33.9	77.9	-8.1	38	240	245.2	194.0
Total	3,025.1	4,326.0	19.2	26.9	7,956	11,353	18.5	21.2

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