
- Steady growth of dairy consumption to support full revitalization of dairy industry

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Research Background

Relying on more than 20 years of accumulation of industry data, continuous tracking of industry changes and in-depth researches, BOABC will provide you with a valuable analysis report on the dairy industry and investment.

According to CnAgri, the growth of China’s dairy industry goes through the following five features in 2018:

1. **Revitalization of dairy industry and quality of dairy products continue to attract much attention from the Government.**

   The Government deems the dairy industry is indispensable from a healthy China and strong nation, government at various levels continue to promote growth of the dairy industry. In June 2018, the General Office of the State Council issued the “Circular on revitalization of Dairy Industry and Ensuring Quality and Safety of Dairy Products”, which emphasizes on more policy support, enhancing construction of quality dairy farms, optimization of dairy processing and circulation system, strengthening supervision over dairy quality and safety and more guidance on dairy consumption.

   The Circular also brings forward the timetable for revitalization of the dairy industry: in 2025, there shall be full revitalization of the dairy industry, basic realization of modernization, and the level of dairy farms, product processing, dairy quality and industrial competitiveness on the whole shall enter into world advanced level.

2. **Dairy cattle inventory sustains downward trend in 2018, but dairy cattle productivity grows steadily, milk production surges slightly in stability.**

   According to MOA monitoring on raw milk production by raw milk collection stations nationwide, raw milk production during the first three quarters of 2018 rose nearly 2% YoY. A survey found dairy cattle inventory slides further in 2018, growth of milk production is attributable to the hike of dairy cattle productivity.

   It should be noted that while following the development of the dairy industry of different provinces, CnAgri discovered some key producing provinces are actively
“squeezing water” out of data of the dairy industry. For example (1) Henan Province announced its milk production during the first three quarters of 2017 was as high as 2.12 million tons. Recently the province unveiled the “milk production during the first three quarters of 2018 was 880,000 tons, up 3.5% YoY”. (2) Earlier Hebei announced its milk production during the first three quarters of 2017 was 3.49 million tons. However the province made it clear recently that its “milk production during the first three quarters of 2018 was 2.93 million tons, up 1% YoY”. To know clearly the possessions is conducive for government and companies to make decisions.

3. Raw milk price bounced after hitting the bottom in Q3 2018, there is improvement of dairy farming profit, but not sufficient enough to mobilize farmers to increase dairy cattle inventory.

Raw milk price in New Zealand, the US and the EU in 2018 is all lower than in 2017. Price for WMP and skim powder at international market is flat. Owing to impact from the international market and domestic demand and supply, raw milk price continued to slip from January to July in 2018, it fell to the five-year low in July. After that milk price has been climbing thanks to domestic demand, reduction of milk production due to heat stress and rising raw milk cost due to the Sino-US Trade War. After entering into Q4, the price hit the highest level as compared with the same period in previous years since 2015.

CnAgri learned from surveys that although dairy farming profit improved, yet farms are still cautious in enlarging dairy cattle quantity. Tight supply of raw milk shall persist during the first half of 2019, it is unlikely to see a tumbling price.

4. Dairy consumption in 2018 sustains the positive momentum from 2017, dairy market grows steadily.

AC Nielsen retail research data indicates the domestic segmented dairy markets grew rapidly during the first half year. Of which at the retailing shops, the retail sales of milk powder was up 15% Yoy, low-temperature pure milk up 16% YoY and UHT yogurt up 19% YoY. Syntun data reveals that at online retailing channel, the retail
sales of dairy products during the first half year was up nearly 40% YoY. Innovative products and innovative marketing methods are still primary strategies for a dairy company to raise dairy consumption and to attract consumers.

The growth of the consumption of liquid dairy products and infant formula in 2018 are strong. Cheese consumption is fostered by both foreign and Chinese companies. Gross dairy consumption is foreseen to hit a single-digit growth at the high end, and sales to realize two-digit growth.

5. Market share of national and regional leading dairy companies rises further thanks to their strong capabilities in fund, brand, innovation, channel and size advantage, and they grow steadily. Weak companies see worsening of operation and deficit.

“Report on Development and Investment of China’s Dairy Industry (2018-2019)” has in-depth analysis of the environment of China’s dairy industry, current status of the industry, supply, demand and trade, industrial competition pattern and key enterprises. It also makes forward-looking judgment on key issues such as the industrial prospect, trend of supply and demand and competition situation.

All data in this Report is from CnAgri Agricultural Database, which is based on data sourced from the National Statistics Bureau, China Customs, industrial associations, listed companies, professional market research institutions, FAO, the World Bank and USDA, in conjunction with industrial surveys done by CnAgri.

“Report on Growth and Investment of China’s Dairy Industry (2018-2019)” by BOABC will help you:

(1) access key data sets for industrial growth
(2) understand key factors impacting industrial growth
(3) keep abreast of the status of supply-demand and future trends
(4) keep abreast of status of growth of key enterprises
(5) keep abreast the situations of industrial competitions
(6) have accurate prediction of the overall trend of industrial growth
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