

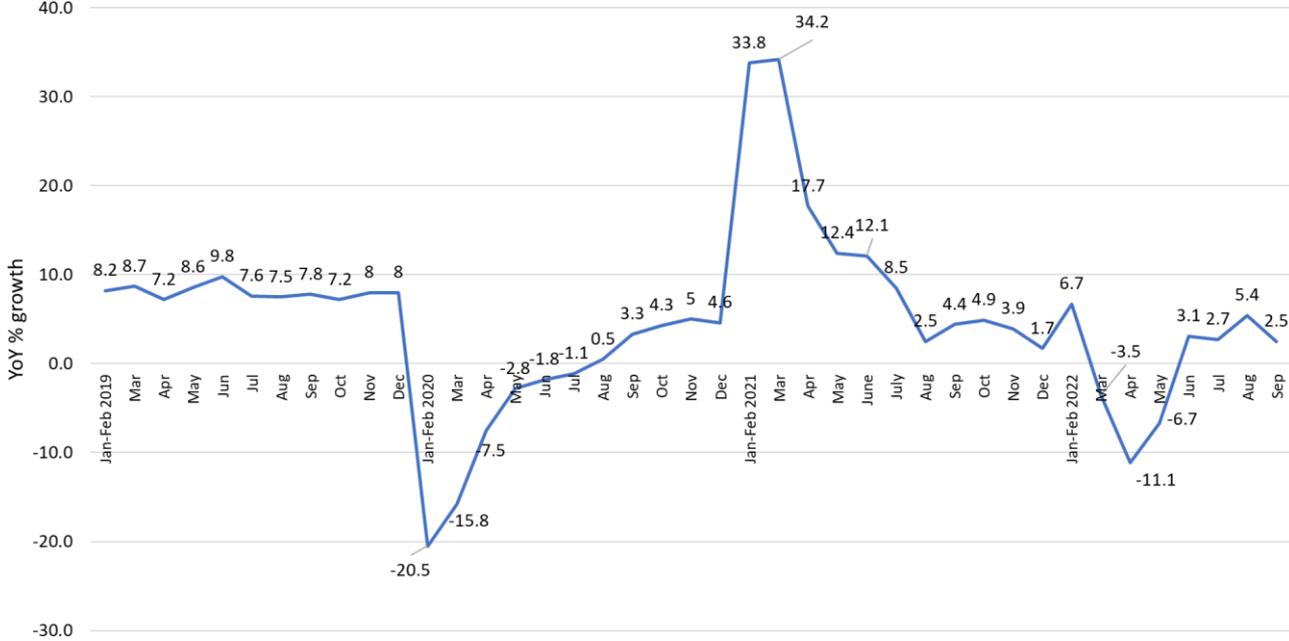
The future of Dairy in China

Christophe Lafougere, CEO Gira

2022 China Client Seminar, 15th of November 2022

Current situation: some key data

Monthly National Retail Sales Growth, 2019 – 2022

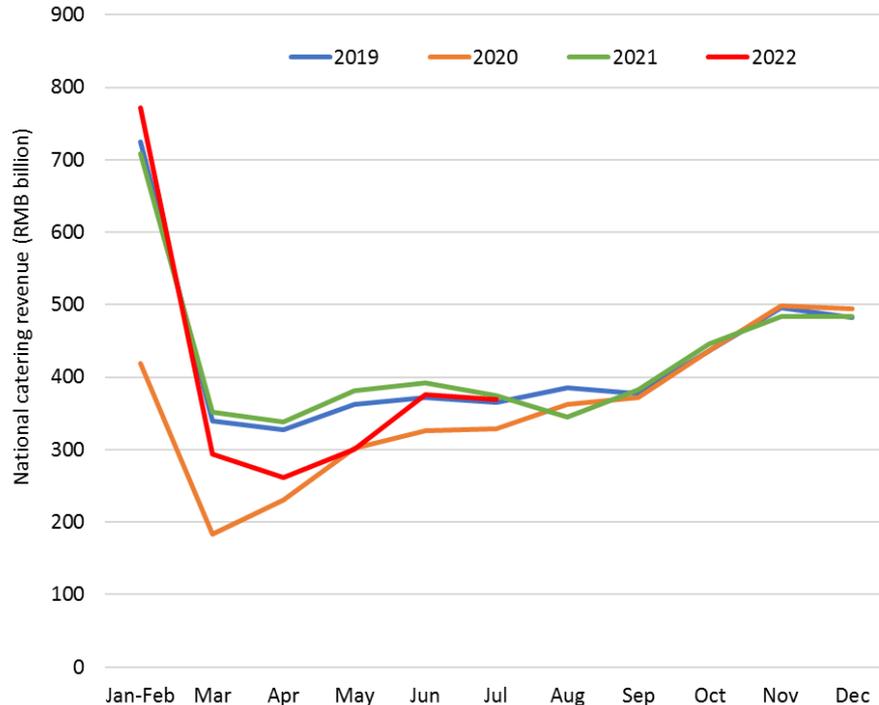


Source: Gira based on NBS of China

Foodservice Revenue

Hit hard by lockdowns

National catering revenue, monthly 2019-22



Source: NBS of China

Jan.-Jul. national catering revenue decreased by 7% YoY

- Slightly recovering

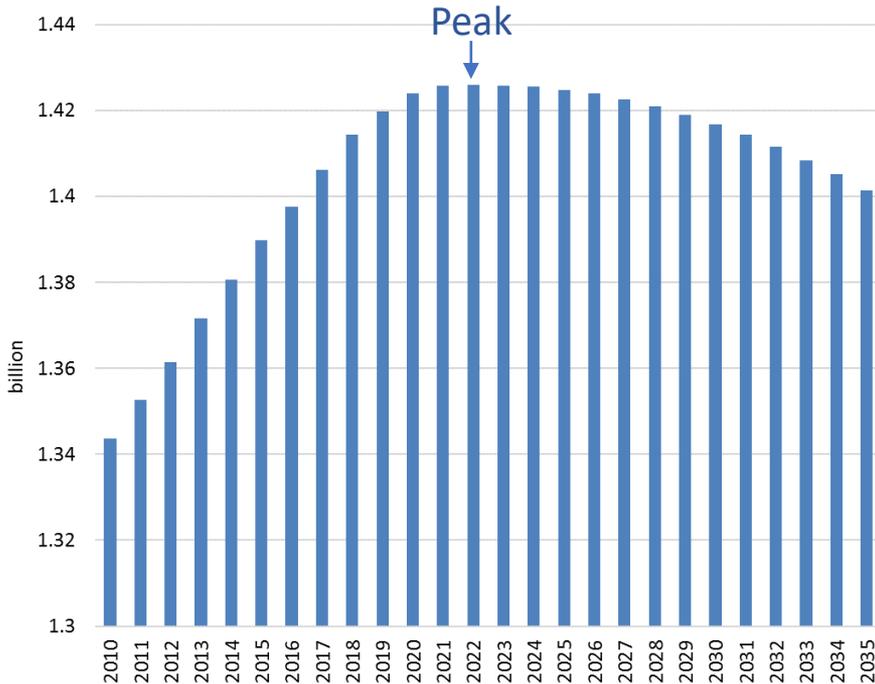
Yum! China 2Q22

- Total revenues decreased 13% YoY
- Net Income decreased by 54%

Starbucks China 2Q22

- Comparable store sales decreased by 44%

China population projection, 2010-2035f



Source: United Nations, World Population Prospects 2022

- China is expected to experience an absolute decline in its population as early as 2023.” (World Population Prospects 2022)
- Dairy consumption growth will depend on wider market penetration and the increase of the per capita consumption (estimated at 34 kg in LME in 2022)
 - Which need to compensate the population decrease
- Acceleration of population aging trend

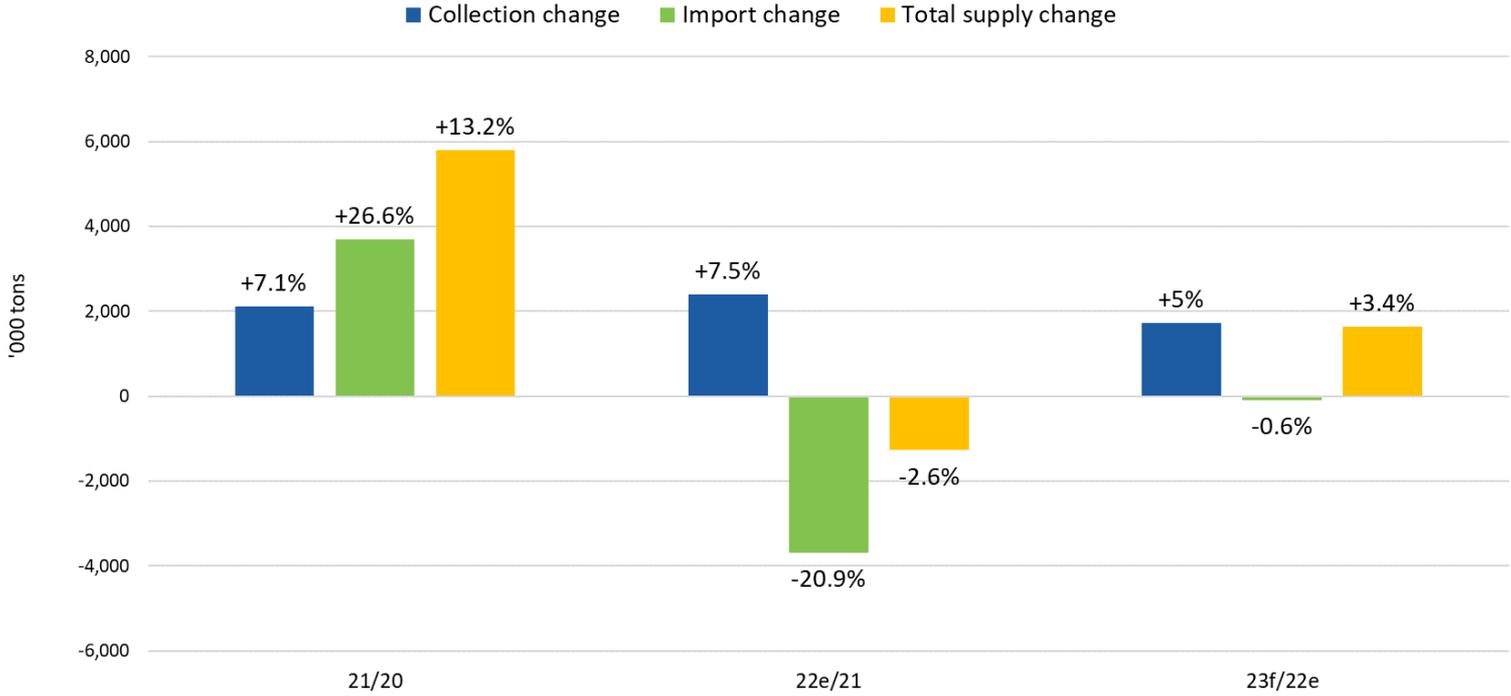
Base case scenario 2023 forecast

2023: Milk Collection Growth still Significant

Imports are not expected to recover



Milk collection, imports & total supply changes (LME), 21/20, 22e/21, 23f/22e



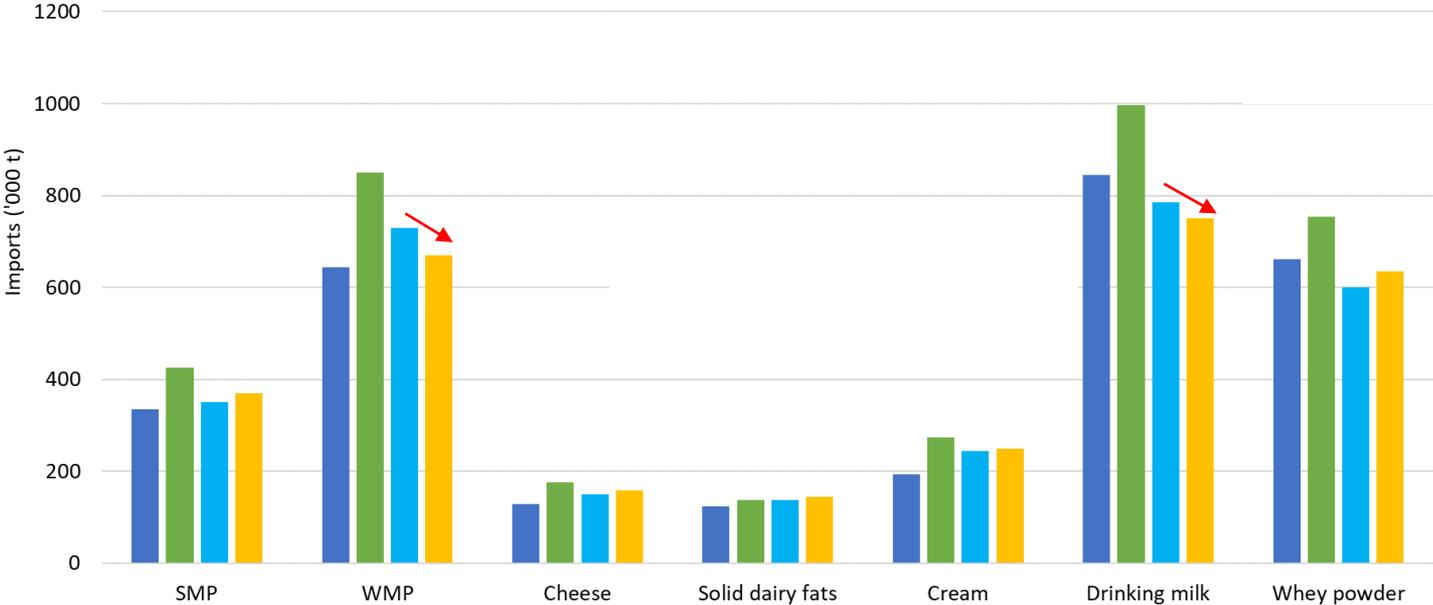
Source: Gira estimations

2023 Dairy Imports by Product

WMP and drinking milk imports may continue to decrease



Chinese dairy imports, 2020-2023f



Source: Chinese Customs

■ 2020 ■ 2021 ■ 2022e ■ 2023f

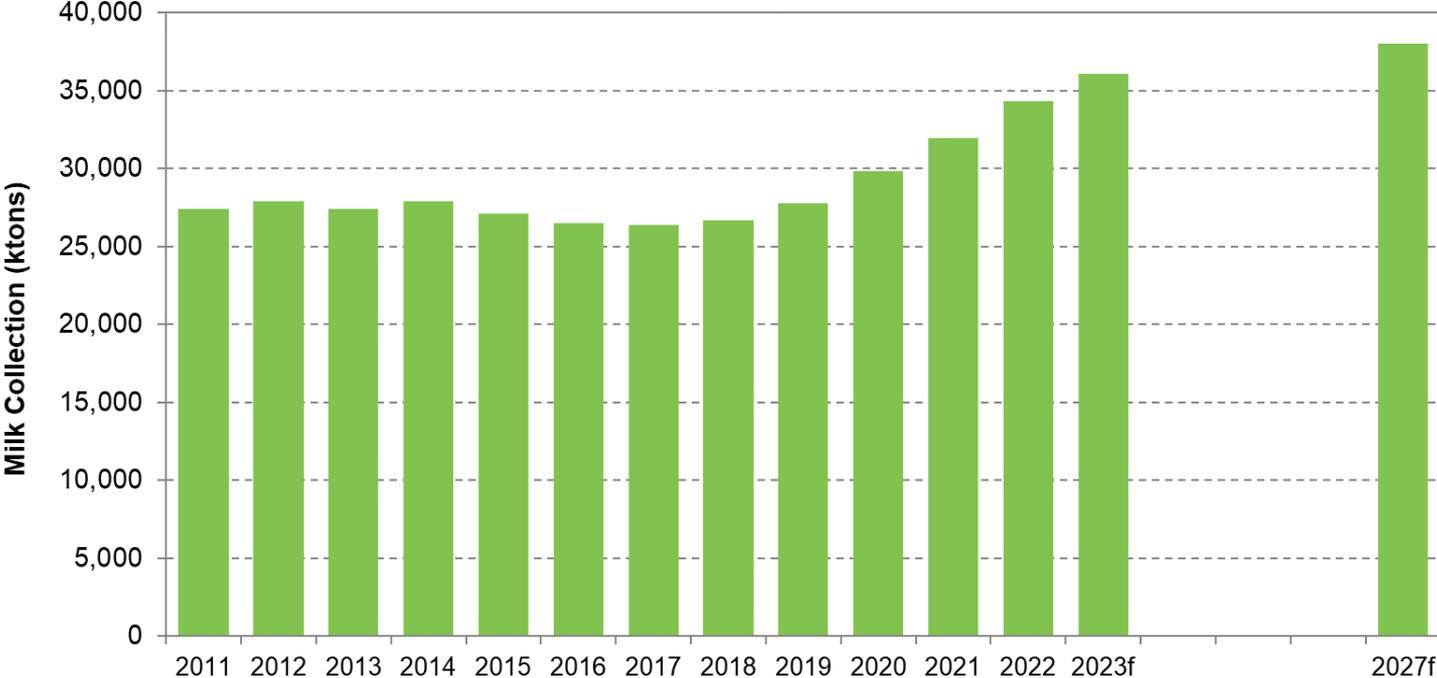
Base case scenario 2027 forecast

Milk Collection

+2% p.a. during 2022-2027



China milk collection, 2011 – 2023f, 27f



Source: NBS, IDF, Gira re-estimation and forecast

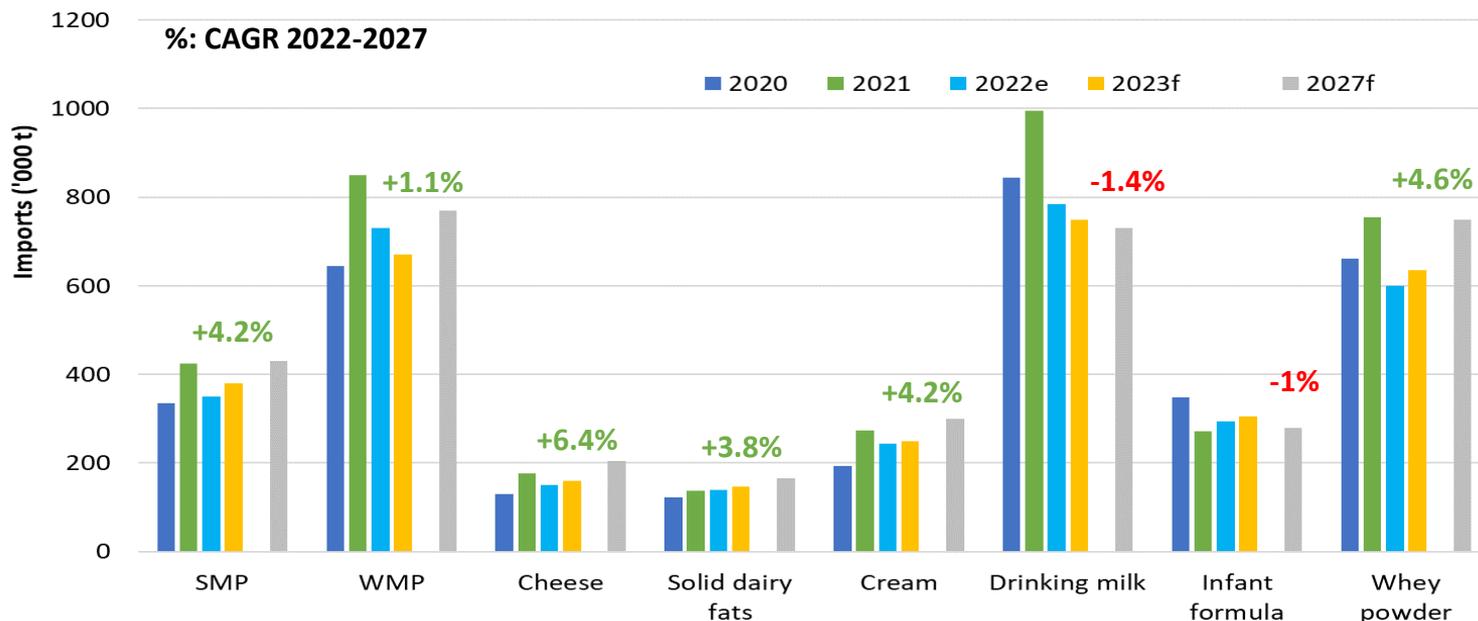
2027 Dairy Imports by Product

Back to growing trend (at lower rate), except for drinking milk and IF



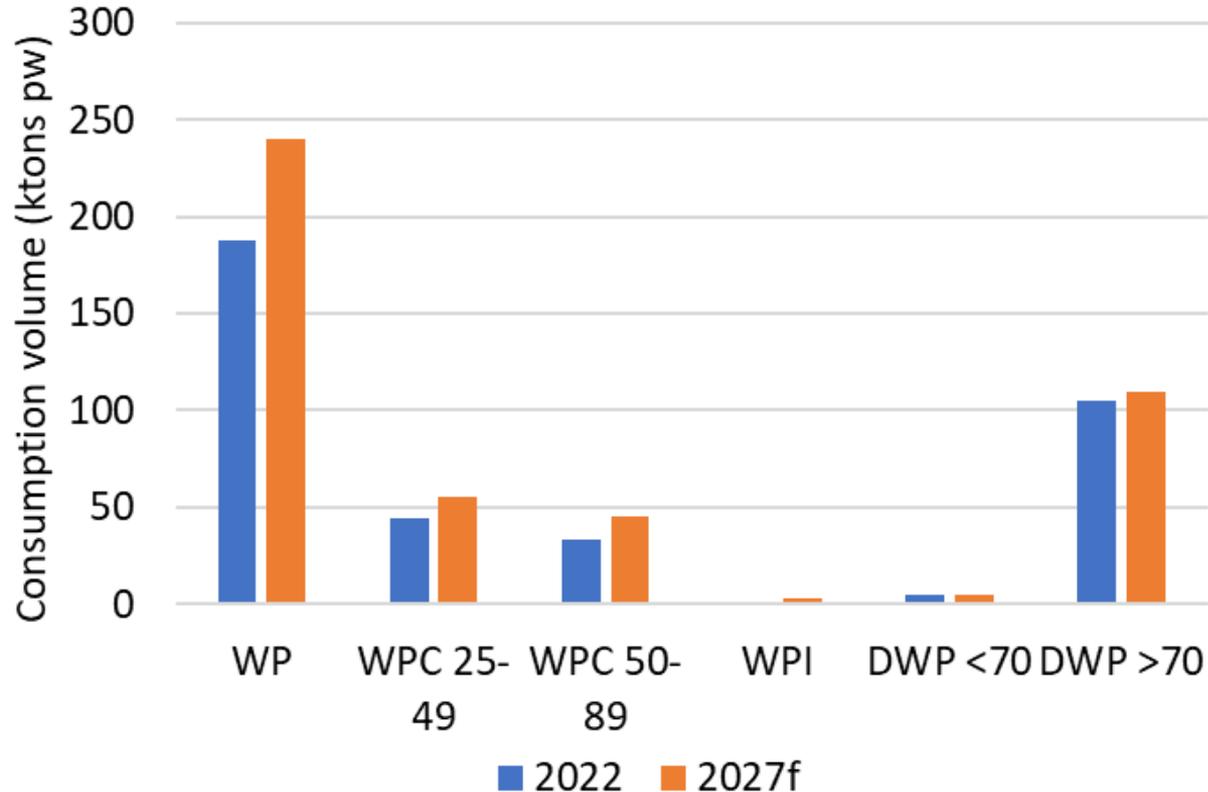
Chinese dairy imports, 2020-2023f, 27f, base case scenario

Forecast of dairy products imports by China in 2022



Source: Chinese Customs

Whey consumption in China

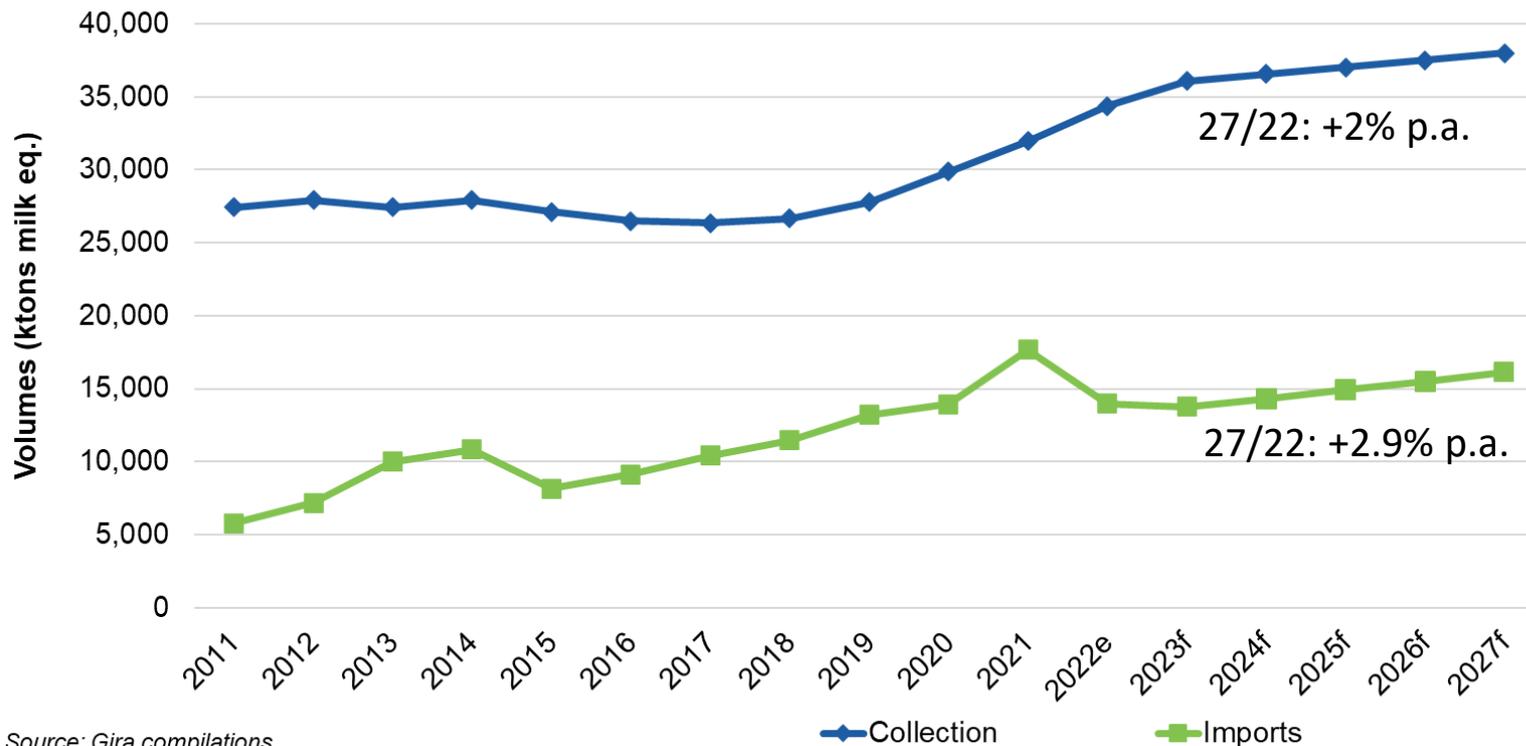


Source: Gira based on trade statistics and interviews

Dairy Self-sufficiency Rate

Staying at about 70% for 2027

Milk collection and dairy imports (LME), 2011-2027f, base case scenario



Source: Gira compilations

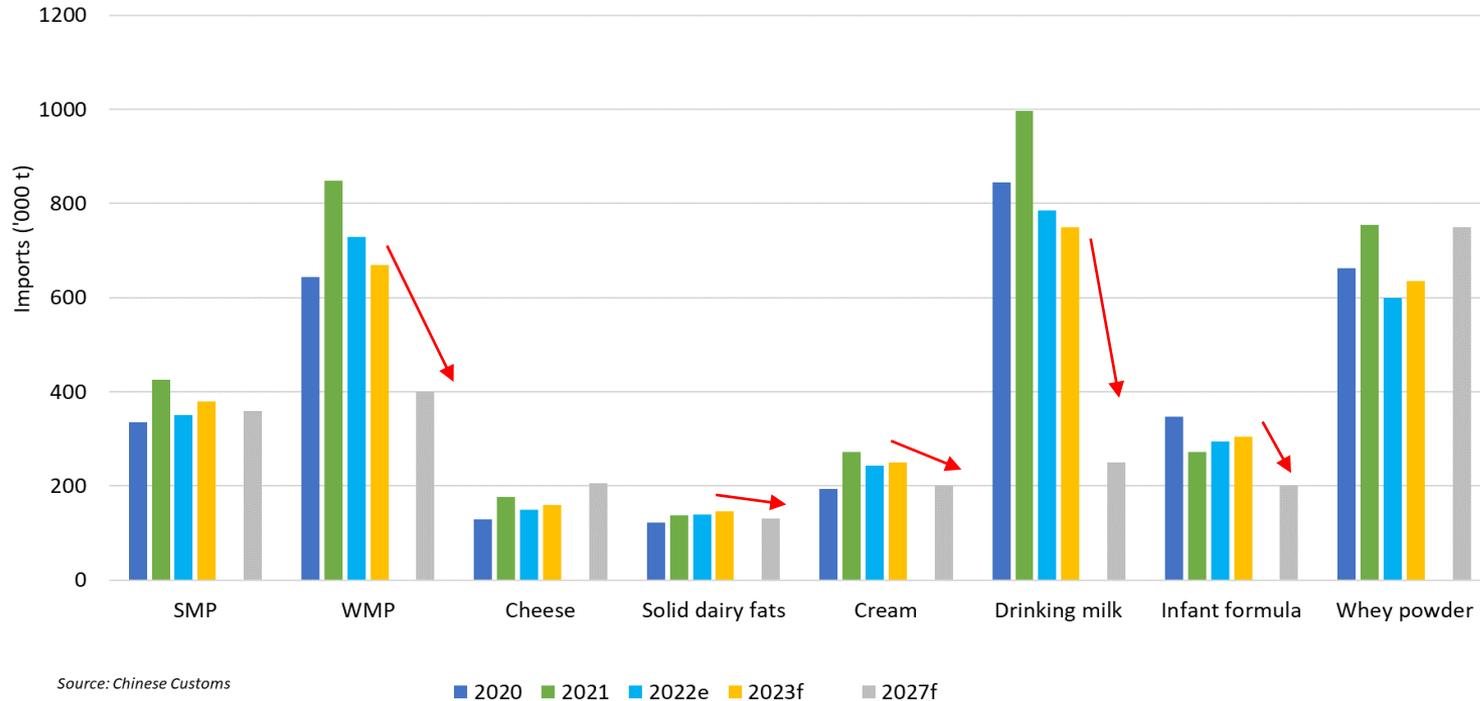
Alternative case scenario (differs in 2027 forecast)

2027 Dairy Imports by Product

Significant drop of imports for WMP, drinking milk and cream



Chinese dairy imports, 2020-2023f, 27f, alternative case scenario



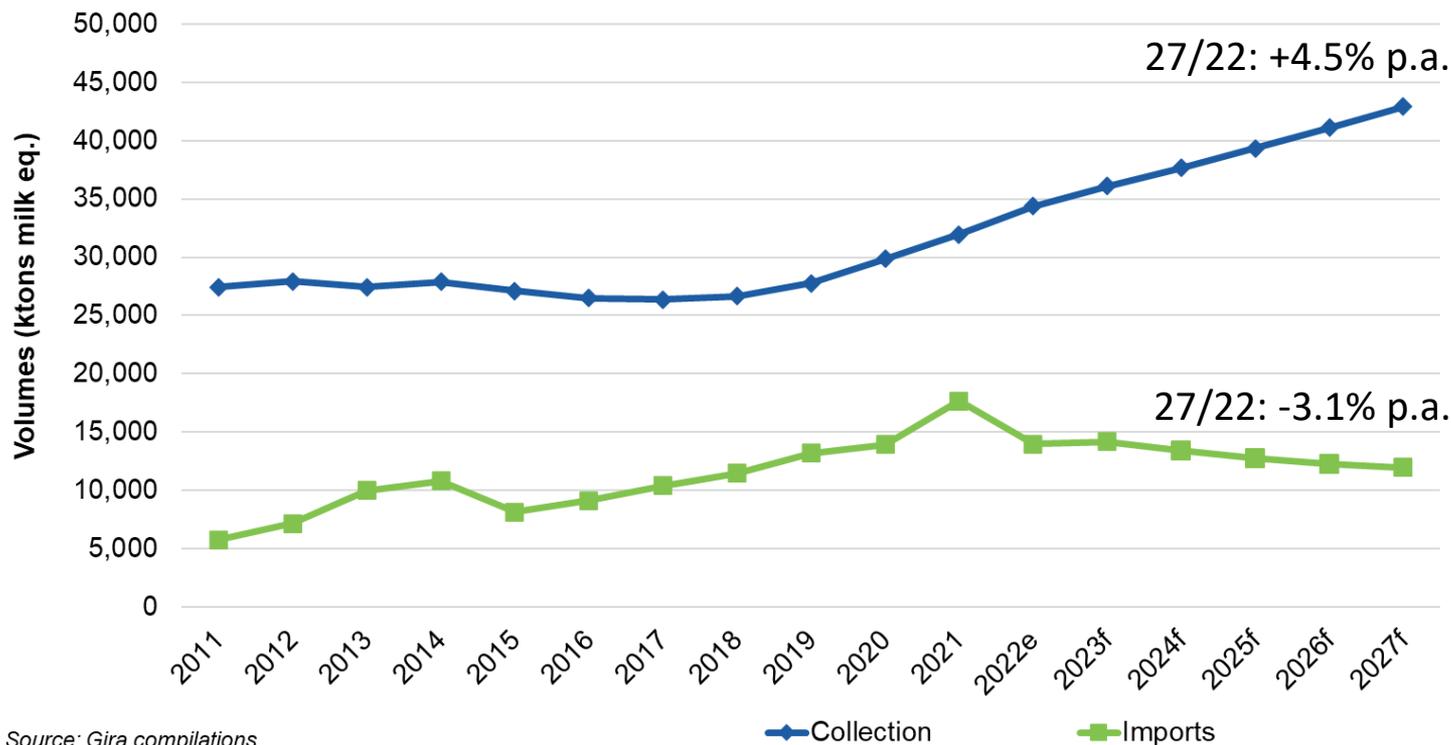
Source: Chinese Customs

Dairy Self-sufficiency Rate

Increases to 78% in 2027



Milk collection and dairy imports (LME), 2011-2027f, alternative case scenario



Source: Gira compilations

2023

- Weaker economy and weaker consumption growth expected for 2023
- Milk production should grow at still high rate (+5%) in 2023
- 2023 imports are not expected to see significant recovery
- WMP and drinking milk are expected to be the most affected
- Disruptive factors: evolution of Covid policy, real estate crisis and geopolitical tensions

2027

- In our **base case scenario**, milk production growth is expected to slow and imports be back to growing trend (although at lower growth rate).
 - Dairy self-sufficiency will stay at about 70% in 2027
- In **alternative case scenario**, milk production would grow at a higher rate (+4.5% p.a.) and dairy imports would decrease (especially WMP, drinking milk & cream), and **the government will need to raise barrier for dairy imports**
 - Dairy self-sufficiency will increase to 78% in 2027



Should you require more information, please contact:

Christophe Lafougere
clafougere@girafood.com