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China Dairy Market Update and Forecast

Presented by



Dairy Association of China



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Part I

Milk Production



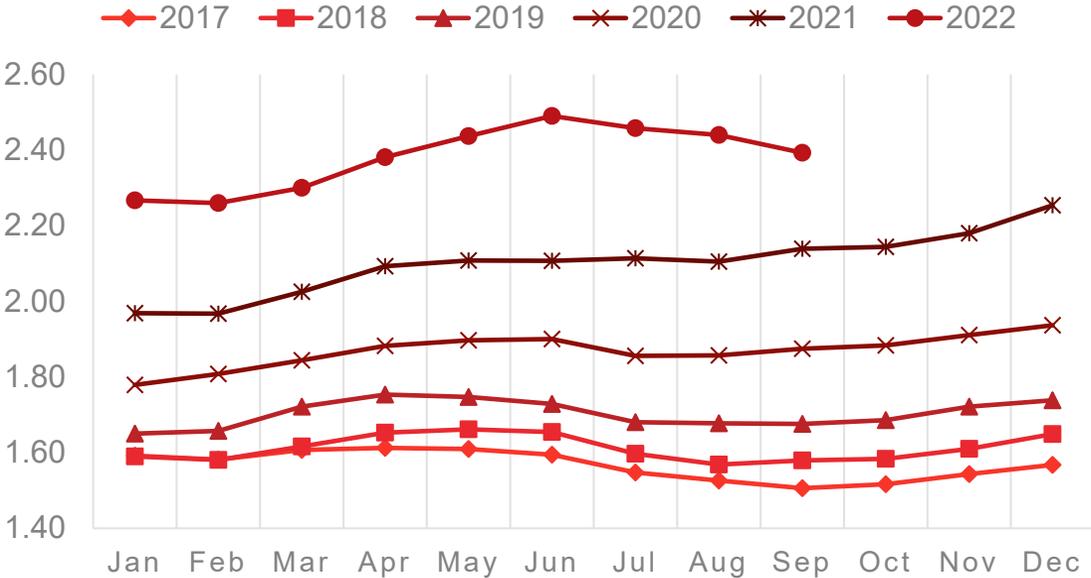
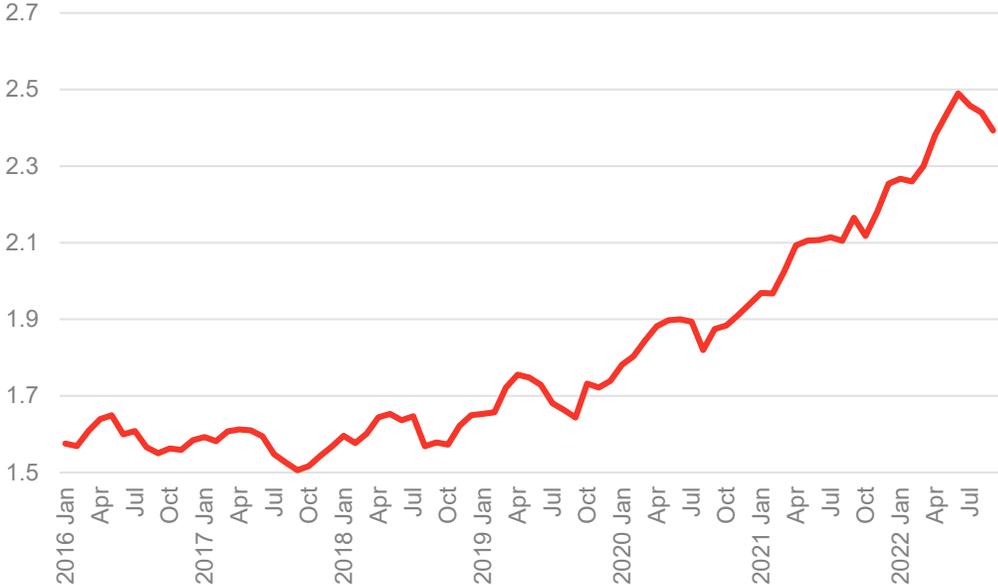
Part I Milk Production

Raw milk production increased by 15.1% YoY

According to the monitoring of nationwide raw milk collection stations:

- Raw milk production from January to September 2022 was 21.43 million tons, an increase of 15.1 % YoY.

Raw milk production changes (mill tons)



Part I Milk Production

Two reasons for this remarkable increase

1、 Inventory increases rapidly

Monthly change in No. of dairy cattle 2016-2022 (mill heads)

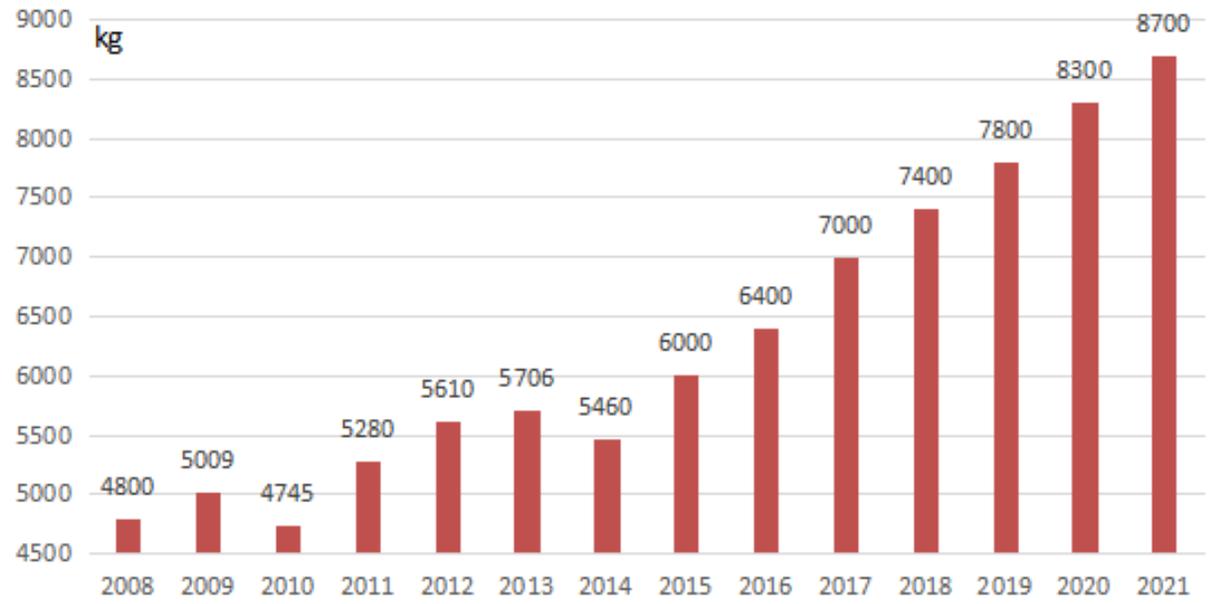


At the end of Aug. 2022, there were 5.89 million dairy cattle, +10.2% YoY; 749.6 thousand more (+45.6%) than Sep. 2019 (lowest point).

Part I Milk Production

Two reasons for this remarkable increase

2、Productivity increases steadily



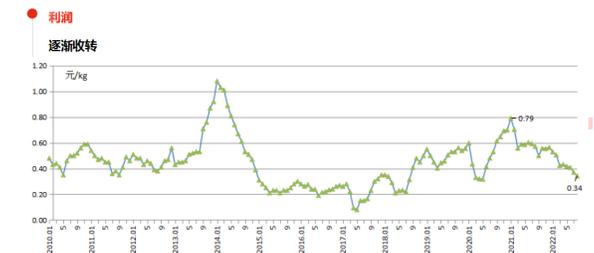
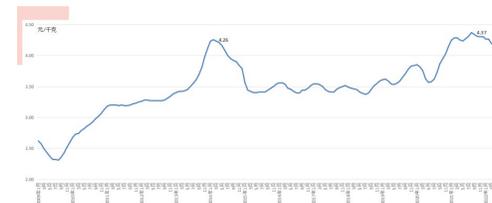
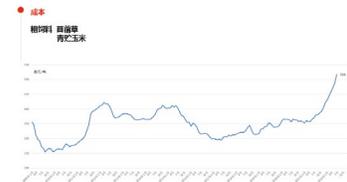
The average milk yield per cow is 8700kg in 2021, Higher than EU members', still have room to improve.

Part I Milk Production

Cost, Price and Profit

According to the monitoring of nationwide raw milk collection stations:

- The total cost of producing raw milk was CNY 3.68/kg, **+4.5%** YoY.
- The average raw milk price was CNY 4.21/kg, **-3.9%** YoY.
- The profit from milk production was CNY 0.46/kg, **-47.7%** YoY.



Part II Consumption



Part II Consumption

The increase rate dropped dramatically

2021		000 MT										
YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Dairy Production		4679.7	7220.9	9677.0	12286.2	14901.5	17456.2	19944.0	22545.0	25371.8	27506.0	30316.6
YOY ±%		29.9	28.9	24.3	19.8	16.8	14.2	11.8	10.3	10.1	9.3	9.4
Liquid Milk Production		4384.1	6774.7	9077.9	11506.8	13944.5	16365.2	18732.1	21177.8	23845.8	25800.8	28429.8
YOY ±%		29.7	30.1	25.6	21.0	17.7	14.6	12.4	10.7	10.5	9.6	9.7

2022												
YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Dairy Production		4901.6	7323.7	9697.0	12427.0	15109.0	17624.0	20348.8	23102.4			
YOY ±%		4.5	1.9	0.5	0.9	1.0	0.9	2.1	2.6			
Liquid Milk Production		4611.3	6866.2	9098.7	11638.7	14147.0	16502.0	19065.9	21669.7			
YOY ±%		5.0	2.0	0.7	1.2	1.3	1.1	2.2	2.8			

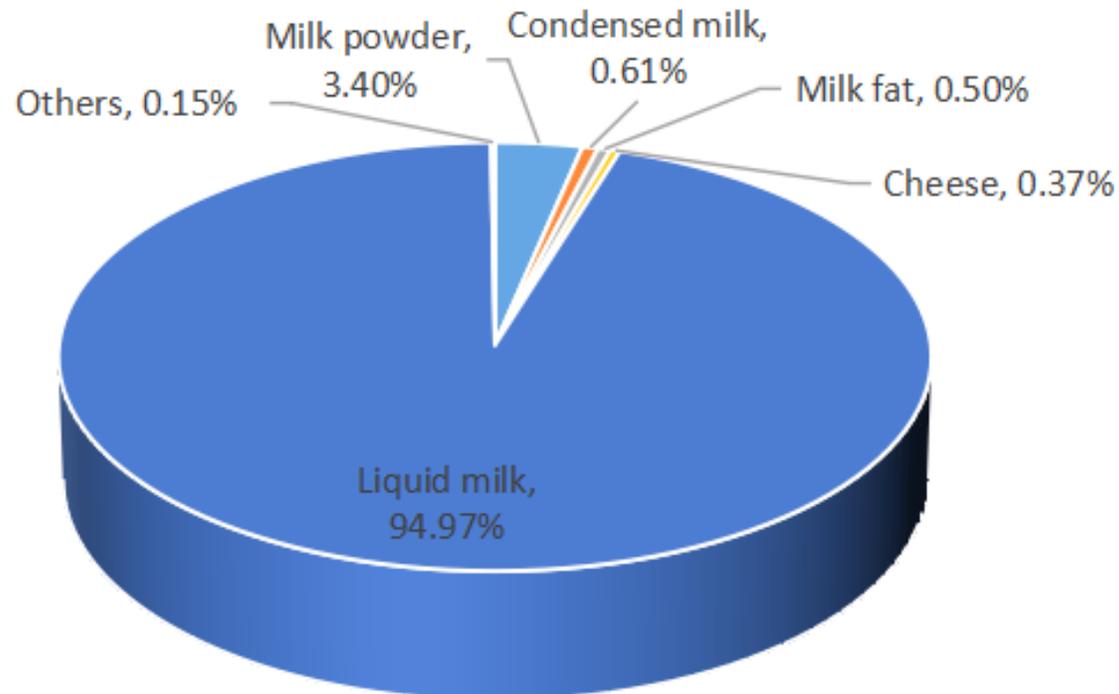
Part II Consumption

The three main reasons

- 1、 The stimulation of COVID-19 vanished
- 2、 The measures of pandemic control damage lots of consumption senses
- 3、 The gloomy economics

Part II Consumption

The product mix is imbalance and unreasonable



■ Milk powder ■ Condensed milk ■ Milk fat ■ Cheese ■ Liquid milk ■ Others

Why?

- 1) consumption habit
- 2) High raw milk price
- 3) The way of produce Cheese & Whey, butter & skim milk

Part II Consumption

Some categories grow fast

High end drinking milk



Mengniu's Deluxe Milk



Yili's Satine Milk

Cheese sticks



Part II Consumption

Some categories with huge potential

ESL milk



Butter and Cheese



Fresh frozen evaporated milk



Part III
International Trade



Part III International Trade

The import volume of dairy products from Jan. to Sep. 2022 was 2,330,739 tons (ME 12.5 mill MT), -19.8% YoY(ME)

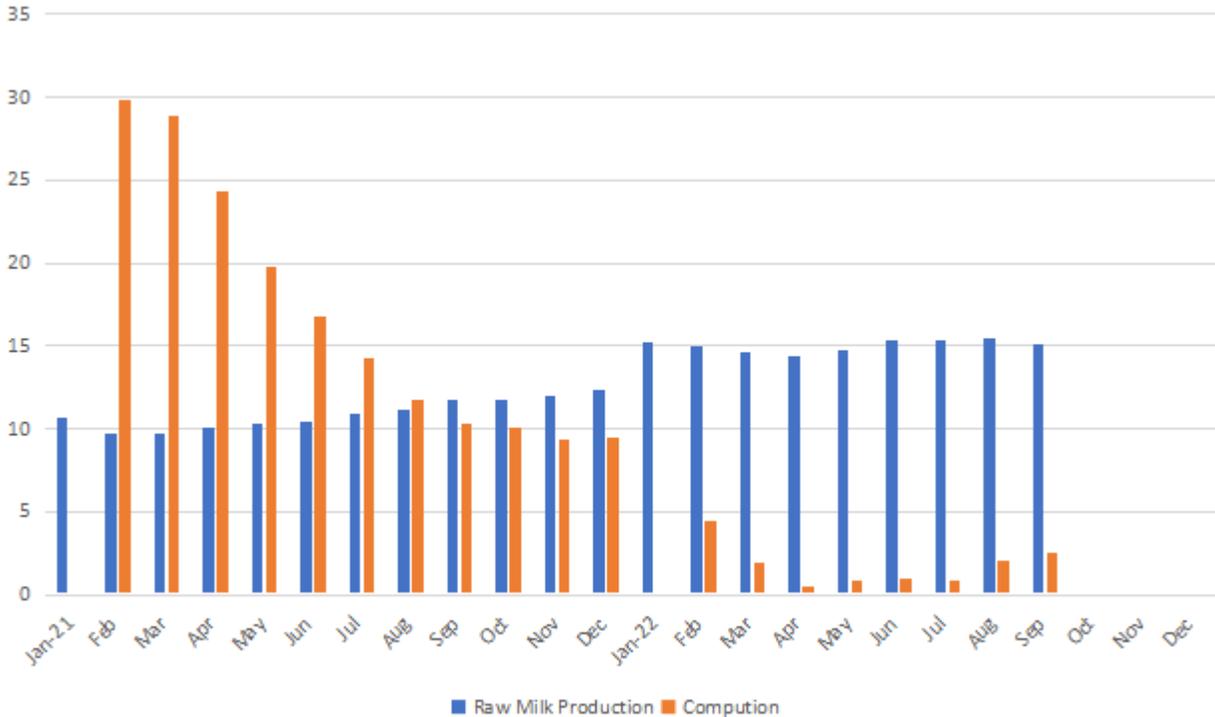
Import volume of dairy products (MT)

	Sep.			Jan.-Sep.		
	2021	2022	YOY	2021	2022	YOY
Skim milk	7,501	6,943	-7.44%	107725	75320	-30.08%
Liquid milk	69,937	51,016	27.05%	644240	488798	-24.13%
Cream	19,032	20,947	10.06%	199,799	184,577	-7.62%
Skim/whole milk powder	66,650	55,352	16.95%	1,061,712	859,268	-19.07%
Whole condensed/evaporated milk	2,208	2,357	6.75%	25,372	18,899	-25.51%
Yoghurt	2,297	1,465	36.22%	20,187	18,211	-9.79%
Whey dry	56,652	63,487	12.06%	583,396	434,584	-25.51%
Butter	5,809	9,347	60.91%	138,523	113,849	-17.81%
Cheese	9,701	10,335	6.54%	109,954	111,205	1.14%
Casein and relatives	2,463	2,827	14.78%	29,635	26,028	-12.17%
Total	242,250	224,076	-7.5%	2,920,543	2,330,739	-20.2%
Milk Equivalent	1,186,082	1,168,060	-1.5%	15,622,561	12,520,486	-19.8%

Part III International Trade

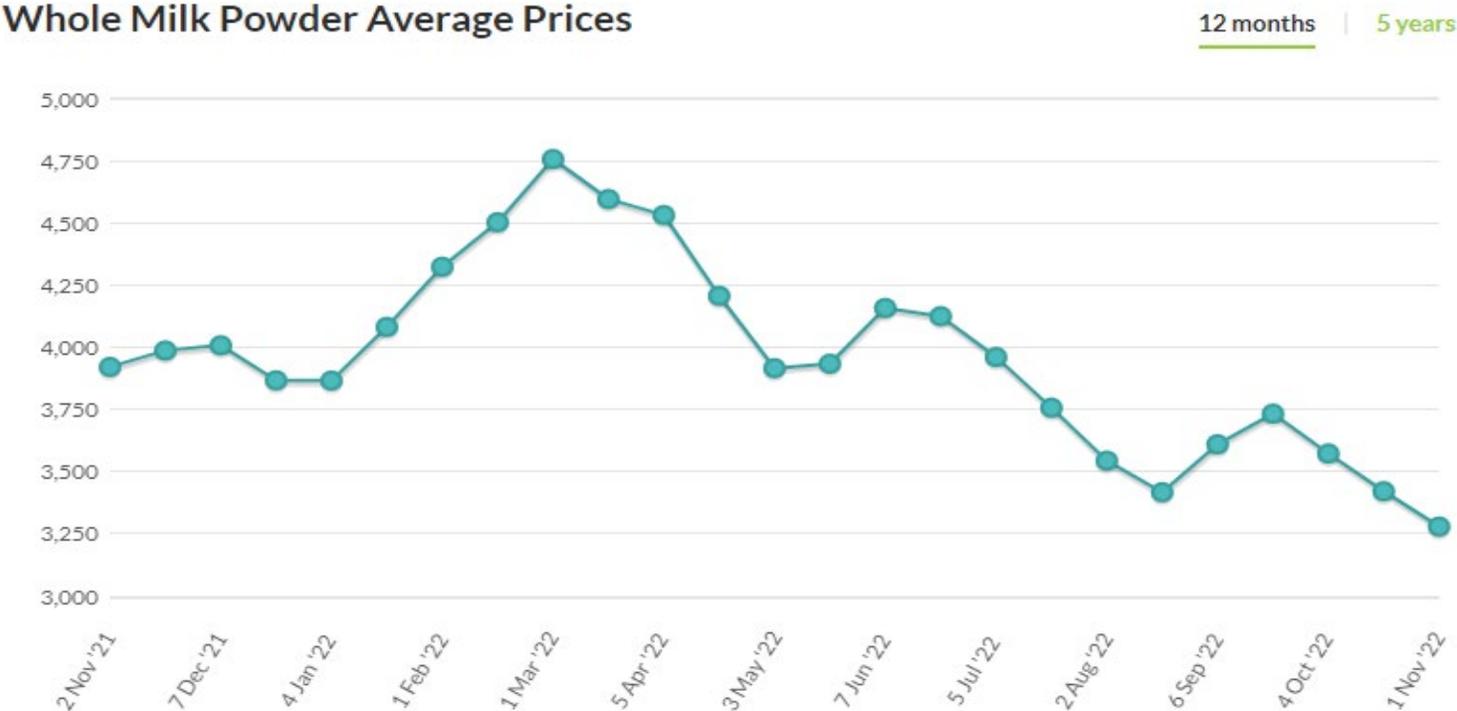
From Jan. to Sep.2022, the raw milk production increases 15.1%, consumption increase rate is just 2.6%, so China has a large surplus of milk powder.

Increase rate of raw milk production and consumption YTD,%



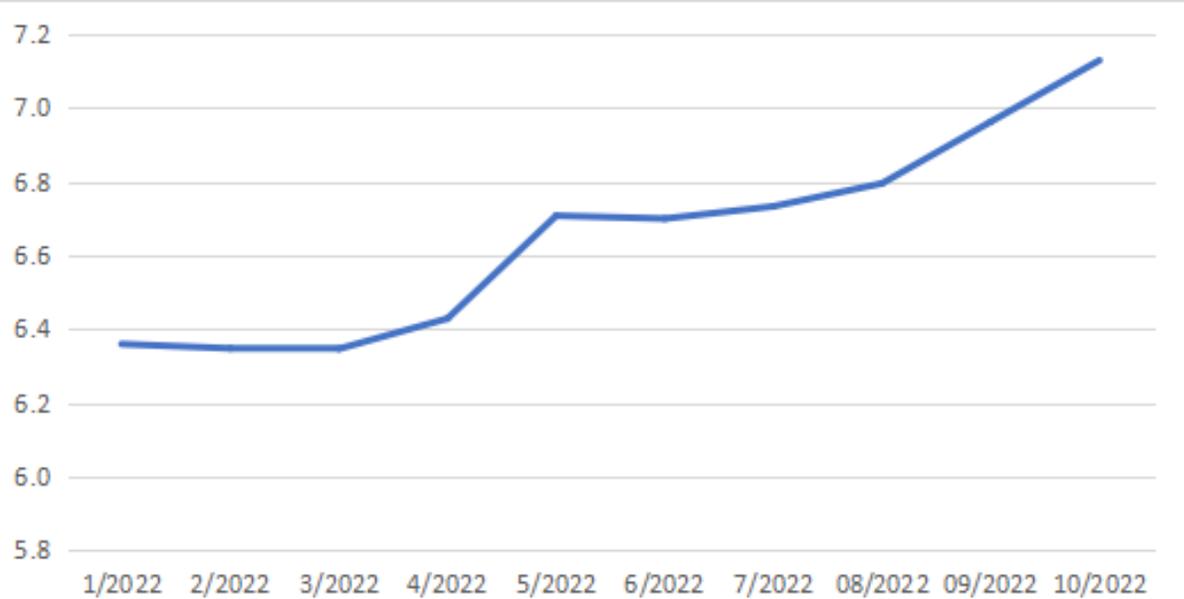
Part III International Trade

The price of international wmp is pretty high during last year to the first half year when China still need them.



Part III International Trade

Exchange rate Depreciation of RMB



The exchange rate in Oct.2022 was 7.13 RMB to 1 USD, an depreciation by 12.1 percent against Jan.

Part III International Trade

We have enough raw milk, and we have less purchasing power,so what we need from the outside?

1、 Something we can NOT produce,

Cream cheese for cheese stick;

Lactoferrin for IMF, health care products;

Casein and relatives for milk drink, coconut juice, coffee with coconut milk...



2、 Something special, like grass-fed milk powder or A2 milk,etc.

Part IV

Policy



Part IV Policy

New standard of IMF

At present:

175 enterprises (121 in china,54 from abroad)

1,356 formulas (1,020 in china,336 from abroad)

Too much?

Part IV Policy

New standard of IMF

Statistics

	Aproved formulas	Cancelled formulas	New enterprises	
			Home	overseas
2017	952	0	93	37
2018	243	0	15	10
2019	86	6	5	3
2020	70	30	2	2
2021	52	41	5	0
2022. 01-07	62	32	1	2
Total	1, 465	109	121	54

Part IV Policy

FTAs and other economic agreements

FTA with New Zealand:

Table Two: Quantity Trigger Level (tonnes)

Basket	1	2	3	4
Entry into Force	1,300	95,000	9,400	3,600
2009	1,365	99,750	9,870	3,780
2010	1,433	104,738	10,364	3,969
2011	1,505	109,974	10,882	4,167
2012	1,580	115,473	11,426	4,376
2013	1,659	121,247	11,997	4,595
Basket	1	2	3	4
2014	1,742	127,309	12,597	4,824
2015	1,829	133,675	13,227	5,066
2016	1,921	140,358	13,888	5,319
2017	2,017	147,376	14,582	5,585
2018	2,118	154,745	15,312	5,864
2019	2,223	162,482	16,077	6,157
2020	2,335	170,606	16,881	6,465
2021	2,451	179,137	17,725	6,788
2022		188,094		
2023		197,498		

Part IV Policy

FTAs and other economic agreements

Some other important FTA and agreement:

- 1) FTA with Australia, another important dairy export country.**
- 2) Re-start FTA negotiation with Uruguay**
- 3) Economic and trade agreement between China & USA**
- 4) RCEP**
- 5) FTA with EU.....**



THANK YOU
