

Dairy Products China News

Guaranteed Exclusive Analysis

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Welcome to the January issue of Dairy Products China News.

China's dairy imports last year barely exceeded 3 million tonnes in terms of aggregate volume – their lowest level in five years. This equated to a little over 16 billion litres of milk. The aggregate volume of end products entering the market was down 15%, and growth compared with 2022 was restricted to just a few categories – whey powder/permeate, MPCs, cheese, lactose and casein. The WMP volume is almost down to its 2012 level. Local milk production was up by close to 7%, meanwhile, and spray drying has been at high levels over the last year or so, the natural consequence of an industry grappling with a challenging combination of fierce competition, price pressure and relatively weak demand.

This latter reality reflects the contracting population and consumers showing a lack of confidence which is hardly surprising – this January local stock exchanges have continued to plummet, Evergrande has been ordered into liquidation and the government is preparing to restore liquidity with a cut coming to the reserve requirement ratio for local banks in early February. It would be a massive understatement to say that the recently-established National Administration of Financial Regulation is not short of issues to address. The government is still betting on exports to drive growth – albeit with an upgraded product mix where electric cars are centre stage – China's BYD has just overtaken Tesla as the largest producers of purely electric vehicles in the world. However international demand in general is very uncertain currently, of course, so China's economic growth during 2024 is expected to drop to well under the 5% mark.

The dairy industry has to focus on the areas where growth still looks relatively assured – cheese being the obvious case – with last year's imports at 171,000 tonnes, up 16% and the highest ever with the exception of 2021. This is more important for New Zealand than any other major cheese exporter, but it will be a key driver for the US as it grows its cheese capacity – at least on paper – and for Europe.

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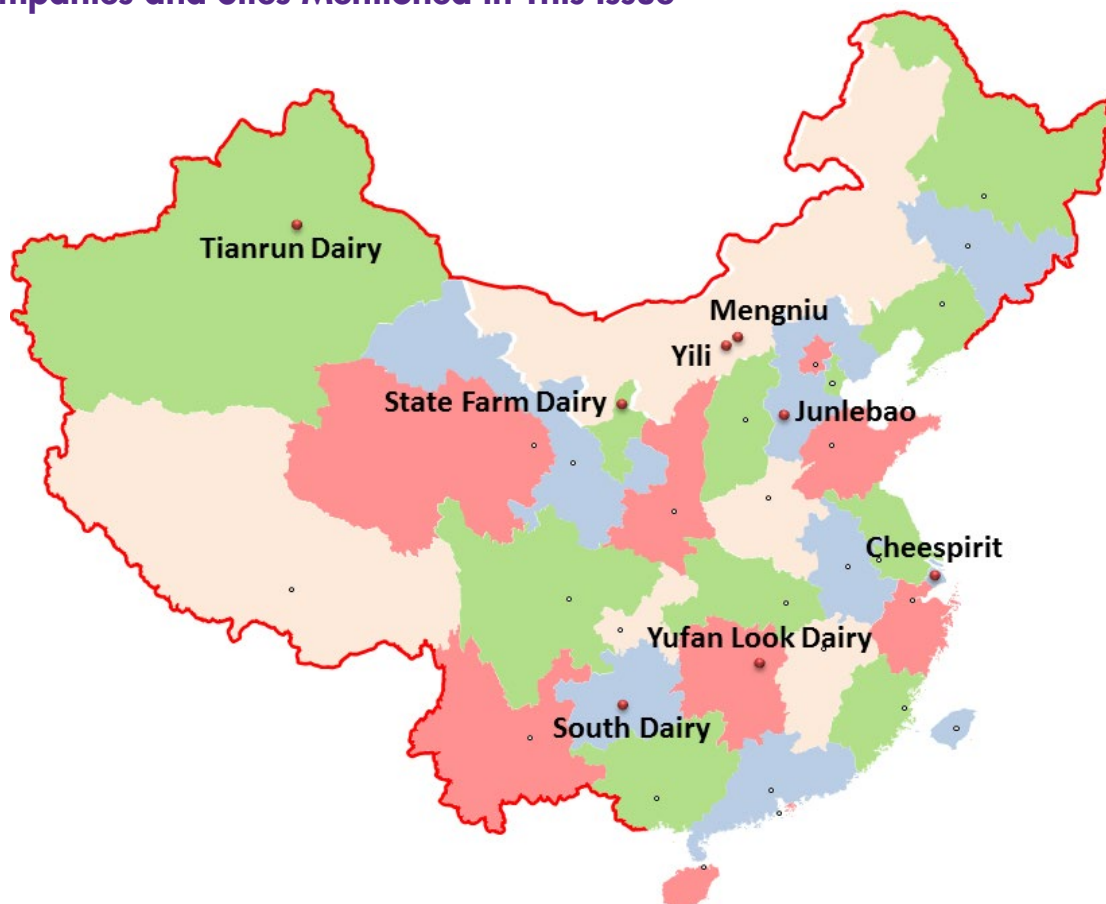
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Headlines

- ▶ China's first national guideline to develop the "silver economy" – focused on the well-being of senior citizens – was issued on 15 Jan.
- ▶ MXBC and Goodme, China's top 2 tea chain brands by scale of operation, filed IPO prospectuses with the Hong Kong Exchanges in early Jan.
- ▶ Ningxia Yili and Mengniu have recently announced projects to focus on value-added dairy products including cream and ice cream, whilst Cheespirit has launched an innovative liquid cheese.
- ▶ Hohhot City (Inner Mongolia), Fuping County (Shaanxi) and Lingwu City (Ningxia) have all received accolades for advances in 2023.
- ▶ China has issued a draft Quality Requirement for Ice Cream to replace the existing Frozen Drinks – Ice Cream (GB/T 31114-2014).
- ▶ China has released a Draft Revision of National Food Safety Standard – General Principles for Foods for Special Medical Purpose (FSMP), with revisions and additional content for full-nutrition FSMP.
- ▶ Recently, regional dairy group Junlebao has started a pre-listing tutoring process, and South Dairy has debuted on the NEEQ, aiming to file an application with Beijing Stock Exchange (BSE) after 18 months.
- ▶ State Farm Dairy has completed a farm, and Jusheng Husbandry and Huahong Husbandry have disclosed their first farm project plans – these involve 26,734 head of dairy cattle in Ningxia, a well-known dairying area in China.
- ▶ Recent developments have seen Tianrun Dairy publishing the operational details of its first dairy factory outside Xinjiang, Bright Dairy building a premium drinks factory targeting Southeast Asian markets and Mengniu expanding its pure milk production.
- ▶ The January raw milk price averaged USD517.2/t (RMB3,660/t), unchanged from the end of 2023.

Major Companies and Sites Mentioned in This Issue



Market Analysis

First Guideline for the "Silver Economy"

Summary: China's first national guideline to develop the "silver economy" – focused on the well-being of senior citizens – was issued on 15 Jan.

On 15 Jan., the State Council issued a "Guideline for Promoting the Silver Economy and Well-being of Senior Citizens" – China's first national policy document dedicated to this topic, recognising that the country faces an increasingly aging population.

The "silver economy" refers to providing products or services for the elderly and those preparing for old age, according to the Guideline, and has great potential for many industries.

The Guideline underscores cultivation of tailored products and high-quality services, including elderly home care, meal delivery and community services and facilities for the convenience of the elderly. It encourages and pledges standardised developments of markets such as food and drugs for the elderly, and supplying these on a nationwide basis. Health food and FSMP that are easy to chew and swallow and meet nutritional needs for the elderly are pointed out in particular.

Market potential

China is in the middle stage of aging. National Bureau of Statistics' latest data show:

- 297 million Chinese citizens aged 60 or above by 2023 – and 217 million were aged 65 or above, representing 15.4% of the national population
- China's silver economy standing at around USD989.1 billion (RMB7.0 trillion), about 6% of China's total GDP, and potentially (according to Fudan Institute on Ageing)
 - USD2.7 trillion (RMB19.1 trillion) by 2035, making up 9.6% of China's total GDP
 - USD7.1 trillion (RMB49.9 trillion) by 2050, making up 12.5% to China's total GDP

Dairy industry opportunity

At present, there are limited dairy product offerings for the elderly in China, mostly powder formulae, rather than in liquid milk, yoghurt, cheese or other categories. With the rapid shrinkage of IMF market, leading dairy brands including Yili, Mengniu, China Feihe, Ausnutria, Nestlé and Danone have stepped up their investments in formula products for the middle-aged and elderly to address such opportunities – and increasing numbers of Chinese consumers in their 60s and 70s exhibit growing awareness of the importance of nutrition. The country's adult formula market is expanding but remains lacking in technical diversity, product innovation, regulations and standardisation. And how to raise awareness of nutrition and health issues among the middle-aged group is still a bottleneck problem, challenging development of the segment.

At present, China's adult formula market centres mostly on the provision of basic nutrition, but heading toward a "special nutrition" focus. Some functional products have attracted attention, motivating more launches and innovations in recent period:

- Yili launched low-GI and low-fat formula products for adults and seniors concerned about sugar reduction in May 2023 in its "Xinhuo" series, and added a functional sleep milk formula for adults in Dec. 2023
- Nestlé rolled out two formula products for the middle-aged and elderly to boost immunity and bone health in its N3 range in Nov. 2023
- Mengniu published a white paper reporting on the health status and exclusive nutrition solutions for the middle-aged and elderly in China, noting that "Yourui" – its premium formula range for adults – would continue to innovate to meet more diverse nutritional needs based on its products which address improved bone health, sugar blood levels, intestinal health and cardiovascular health

MXBC and Goodme File IPO Prospectuses

Summary: *MXBC and Goodme, China's top 2 tea chain brands by scale of operation, filed IPO prospectuses with the Hong Kong Exchanges in early Jan.*

On 2 Jan., MIXUE Group (MIXUE) and Guming Holdings Limited (Good me) – the 1st and 2nd largest respectively of China's tea chain brands by scale of operation – submitted IPO applications to the Stock Exchange of Hong Kong Limited (HKEX).

Store network

Both companies have expanded through a franchise model proving nationwide coverage and penetration in lower-tier markets.

- MIXUE: As of 30 Sept., 2023, the chain brand has 32,180 essentially low-end stores in China spanning 31 provinces, autonomous regions and municipalities, 4.5% of which are in old 1st-tier cities (Beijing, Shanghai, Guangzhou, Shenzhen), 20.9% in new 1st-tier cities (of which there are 15), 17.7% in 2nd-tier cities, and 56.9% in 3rd-tier and below cities; it also has 3,973 overseas stores in 11 countries. 99.8% of its sites are franchised stores
- Good me: As of 30 Sept., 2023, the chain brand has 9,001 slightly higher quality stores in China spanning 15 provinces but concentrated in Zhejiang,

Fujian and Jiangxi; 2.9% are in 1st-tier cities, 18.4% in new 1st-tier cities, 29.9% in 2nd-tier cities, and 48.9% in 3rd-tier and below cities. Only 6 sites are directly operated by the company

Financial performance

Over recent years, MIXUE has led in sales and profit figures thanks to its massive operation, before being overtaken by Good me in gross margins in Q1–Q3 2023. Notably, the revenues of both depend on sales of raw materials to franchisees: MIXUE reported 98.2% of revenue in Q1–Q3 2023 came from sales of food ingredients and equipment to franchisees, while Good me made 80.4% of its revenue from sales of food ingredients and 19.5% from franchise fees and fee for store operation training and technical support.

Supply chain

- MIXUE is known for its low pricing – each item averaged below USD1.4 (RMB10), enabled by tight cost control at its 5 plants in Henan, Hainan, Guangxi, Chongqing and Anhui. These produce syrups, powdered beverages made with WMP/SMP and plant-based protein drinks, etc. Approximately 60% of its ingredients supplied to franchisees are from its own plants. In 2022, MIXUE purchased only

21,000 tonnes of milk powders from New Zealand, whilst producing internally 147,110 tonnes of dairy ingredients (including WMP, SMP, whipping cream or blended equivalent, and butter)

- Good me adopts market-oriented pricing setting items in a price range of USD1.4–USD2.8 (RMB10–RMB20), highlighting use of fresh ingredients such as fresh milk and fruit with the largest refrigerated warehousing and logistics infrastructure among China's tea store brands. As of 30 Sept., 2023, Good me had 3 ingredient processing facilities, 21 warehouses of >40,000 m³ in total and 327 refrigerated delivery vehicles

On top of that, ChaPanda, the no. 3 in the industry, also filed its prospectus with HKEX on 21 Dec., 2023. According to the China Chain-Store & Franchise Association (CCFA), China's freshly-made tea drinks market is expected to be worth USD21.2 billion (RMB149.8 billion) in 2023 and exceed USD28.3 billion (RMB200.0 billion) in 2025. This growth is attracting new entrants to the category and driving leading current players to build their scale and increase branding and R&D capacities through public funding. CCFA also predicts that overseas expansion will be a trend for these chains.

TABLE I: Key Financials of MIXUE and Good me

Item	2021		2022		Q1–Q3 2023	
	MIXUE	Good me	MIXUE	Good me	MIXUE	Good me
Revenue, USD million	1,462.6	619.5	1,918.3	785.5	2,175.1	787.2
Profit, USD million	270.2	3.4	284.5	52.6	346.6	141.6
Gross margins	31.3%	30.0%	28.3%	28.1%	29.7%	31.0%

Source: Prospectuses of MIXUE and Good me

Yili, Mengniu and Cheespirit Investments

Summary: Ningxia Yili and Mengniu have recently announced projects to focus on value-added dairy products including cream and ice cream, whilst Cheespirit has launched an innovative liquid cheese.

Seeing increasing demand from Chinese consumers with stronger spending power, dairy companies are increasingly focusing on value-added dairy products:

Ningxia Yili Group Co., Ltd (Ningxia Yili)

To serve the expanding cake, bread and milk tea drinks markets where cream products are required, Ningxia Yili has recently invested in 2 related projects expected to bring in annual revenues of USD98.9 million (RMB700 million).

Its Butter Industrialisation of Scientific and Technological Achievements Project was disclosed with details as follows:

- Construction nature: Technological upgrade
- Total investment: USD3.1 million (RMB21.8 million), 1.01% (=USD31,087/RMB220,000) of which for environmental protection
- Location: Ningxia Wuzhong Jinji Industrial Park, Wuzhong City, Ningxia Hui Autonomous Region
- Site area: 700 m²
- Construction content: Add 1 production line in the existing workshop
- Designed capacity: 12,000 t/a clarified butter and 67,200 t/a 250ml pure milk
- Main material consumption: 73,920 t/a milk and 33,600 t/a whipping cream
- Construction duration: 12 months ending in April 2024

- Designed with a budget of USD4.0 million (RMB28.4 million), the other project of whipping cream is under construction at the same location, having started in March and due to end in Feb. 2024. It is to produce 100 tonnes of filtered milk, 40 tonnes of whipping cream and 2 tonnes of low-fat whipping cream per day (all pure dairy creams).

China Mengniu Dairy Company Ltd (Mengniu, Stock Code: 02319.HK)

On 5 Jan., 2024, the environmental impact assessment on the premium ice cream project of Mengniu's wholly-owned subsidiary Mengniu Zhike Dairy Products (Meishan) Co., Ltd. was released, with details as follows:

- Construction nature: New construction
- Total investment: USD141.3 million (RMB1.0 billion), 0.18% (=USD250,106/RMB1.8 million) of which for environmental protection
- Location: Economic and Technological Development Zone of Dongpo District, Meishan City, Sichuan Province
- Site area: 119,225 m²
- Construction content: 8 smart high-speed production lines and 10,000-m² cold-store warehouse
- Designed capacity: 52,634 t/a premium ice cream
- Main material consumption: 1,661 t/a WMP and 1,443 t/a SMP (all out-sourced)
- Working system: 442 workers operating for 245 days a year (production suspending during low season from Aug. to Nov.)
- Construction duration: 15 months

Mengniu said this project's improved automation and digital levels could

help it to invest in developing health-positioned premium products and facilitate its operation in the northwest region.

Shanghai Cheespirit Health Technology Development Co., Ltd. (Cheespirit)

Cheespirit is one of the businesses trying to differentiate itself in the cheese sticks category. In Dec. 2023, it launched an ambient fresh liquid cheese with cheese content >92%, lower fat and a nutritional profile based on fortification with 13 nutrients such as astaxanthin, vitamin C, phospholipids (PLs), and elastin peptide. The product is aimed at health-aware female consumers in particular.

As a startup in cheese sector, Cheespirit received its 2nd cash injection of millions of USD in a Pre A+ financing round from Cyanhill Capital in late 2023 – this is to be used for liquid cheese promotion and branding. Its first financing was from Junlebao, in early 2023.

PICTURE 1: Cheespirit Ambient Fresh Liquid Cheese



Source: Cheespirit

China's Dairy Manufacturing Demonstration Counties/Cities for 2023

Summary: Hohhot City (Inner Mongolia), Fuping County (Shaanxi) and Lingwu City (Ningxia) have all received accolades for advances in 2023.

On 11 Jan., the Ministry of Industry and Information Technology (MIIT) published a list of 60 strategic demonstration counties/cities that have made remarkable progress in enhancing local product variety and quality and branding, under the action plan launched by the State Council in 2016 to optimise consumer market choice. Three dairy firms made the list:

1. Hohhot City, Inner Mongolia Autonomous Region

Hohhot is the largest milk producer and processing centre in China. There are 340,000 dairy cattle in the city with an annual milk output of over 1.8 million tonnes. The dairy industry in Hohhot achieved revenues of USD31.1 billion (RMB220.0 billion) in 2022, and the milk output in H1 2023 reached 900,000 tonnes, up by 10%+ YoY. The city government aims to raise the dairy cattle herd to 460,000 head with an annual milk output of over 2.2 million tonnes by 2024. In dairy processing, Hohhot accounts for over 14,000 t/d milk processing capacity, mostly built by Mengniu and Yili

Notably, Yili's Future Intelligence and Health Valley is in Hohhot, representing over RMB100-billion investment:

- Constructed: 30,000 t/a IMF, 30,000 t/a base powders for IMF, 861,200 t/a liquid milk, 20,736 t/a processed cheese snacks for kids
- Under construction: 15,255 t/a processed cheese snacks for kids
- Planning (on schedule for a 12-month construction): 38,400 t/a whipping cream, 14,400 t/a fresh cheese, 120 t/a Mozzarella, 84,000 t/a lactoferrin, 13,860 t/a milk peptides, 38,400 t/a WPC

2. Fuping County, Weinan City, Shaanxi Province

Fuping is a county known for its goat milk industry. It has 4 dairy goat demonstration industry parks, 40 large-scale farms

(each with 1,000+ goat) and 600 family farms (each with 100+ goats); there are around 820,000 goats in Fuping with an annual milk output of 230,000 tonnes. The county accounts for roughly 30% of Shaanxi province's goat herd and goat milk production, and leads the national numbers.

In 2022 Fuping produced 48,000 tonnes of goat dairy products. At present, Fuping Milkgoat Goat Dairy Co., Ltd. is building 3,200 t/a capacity for goat milk WMP, 2,800 t/a for goat milk formula and 10,000 t/a for liquid goat milk in the county.

The county government targets 1 million dairy goats by 2025, annual milk output of 350,000 tonnes and annual goat dairy product output of 100,000 tonnes; the whole sector to have an annual worth of USD4.3 billion (RMB3 billion) by 2025.

3. Lingwu City (county-level), Yinchuan City, Ningxia Hui Autonomous Region

Technology innovation across the dairy sector is highlighted in Lingwu City. It has 67 dairy farms with a total of 200,800 dairy cattle, accounting for 22% of the total in the Region. The city produces 2,963 tonnes of milk per day on average, accounting for 21% of the regional total. Lingwu has invested USD7.1 million (RMB50 million) in founding a dairy service centre integrating dairying, disease prevention and control, feed testing, seed engineering and cultivation. In H1 2023, a project supported by Lingwu city government successfully bred 3 high-yielding cloned cows using single-cell cloning/SCC technology, a new breakthrough in China's dairy sector. Lingwu expects the local milk yield per cow to rise from 10 tonnes to 16 tonnes annually as a result.

In dairy processing, in H2 2023, what is claimed to be the world's first fully intelligent dairy factory entered operation in Ningxia – built by Mengniu, it has full automation throughout the production processes with 1.53 million t/a production capacity for pure milk.

Governmental Direction

China Drafts Quality Requirement for Ice Cream

Summary: China has issued a draft Quality Requirement for Ice Cream to replace the existing Frozen Drinks-Ice Cream (GB/T 31114-2014).

On 29 Dec., 2023, the draft national standard of Quality Requirement for Ice Cream was issued for public feedback up to 27 Feb., 2024.

This draft is to replace the existing Frozen Drinks-Ice Cream (GB/T 31114-2014); it has been based on input from the China General Chamber of Commerce (CGCC), Yili, Mengniu, Nestlé and Unilever and others, to align domestic product quality and innovation with the international levels after the growth seen in China's ice cream market.

Major changes include the followings:

Definition of terminology: Ice cream is a frozen drink of an expanded volume made from milk and/or dairy products, with or without addition of other ingredients, by mixing, pasteurising or sterilising,

homogenising, cooling, ageing, freezing, hardening and other processes.

Product categorisation:

- Full milkfat ice cream: Ice cream with a milk fat mass fraction $\geq 8\%$ and without addition of non-milk fats (except those contained in other ingredients)
- Semi milkfat ice cream: Ice cream with a milkfat mass fraction $\geq 2.2\%$
- Vegetable fat ice cream: Ice cream with a milk fat mass fraction $< 2.2\%$

Type inspection: shall be carried out once a year, and also in any of the following cases:

- Changes of major raw and auxiliary materials or changes in key production processes
- When products have had production discontinued for more than 6 months and then resumed

- When there is a big difference between the final factory test result and the latest type inspection result
- When requested by the national regulatory authority

Product terminology

- Full-milk ice cream with main ingredient being raw milk, sterilised dairy, pasteurised dairy, or concentrated dairy, without the direct addition of non-milk fat, non-milk proteins (except for any contained in other ingredients), can be termed "cow (goat) dairy (milk) ice cream"
- Based on formulation, ice cream with a total addition of fruit and fruit products (calculated as fruit juice/pulp) $\geq 2.5\%$ can be named as "xxx ice cream"; ice cream with a total addition of fruit and fruit products $< 2.5\%$ can be termed "xx flavoured ice cream"

TABLE 2: Physicochemical Indicators for Ice Cream

Item	Index					
	Full milkfat fat ice cream		Semi milkfat ice cream		Vegetable fat ice cream	
	Uniform ice cream	Combination ice cream	Uniform ice cream	Combination ice cream	Uniform ice cream	Combination ice cream
MSNF, g/100g \geq	6					
Total solids, g/100g \geq	32		30			
Milk fat, g/100g	≥ 8.0		≥ 2.2		< 2.2	
Total fat, g/100g \geq	8		6	5	6	5
Protein, g/100g \geq	2.8	2.5	2.5	2.2	2.5	2.2

Source: Draft Quality Requirement for Ice Cream

Note:

1. Milk fat and MSNF are calculated on original formulations
2. Uniform ice cream refers to "ice cream" without granular or lumpy ingredients; combination ice cream refers to "ice cream" as the main ingredient (mass fraction $> 50\%$), mixing with other kinds of frozen drinks and/or chocolate, biscuits and other food products
3. Indices for combination ice cream are based on the main ingredient "ice cream"
4. Indices of total fat and milk fat do not apply to products claiming to be low-fat or fat-free

Draft Revision of National Standard for FSMP

Summary: China has released a Draft Revision of National Food Safety Standard – General Principles for Foods for Special Medical Purpose (FSMP), with revisions and additional content for full-nutrition FSMP.

On 19 Jan., China's National Health Commission launched a Draft Revision of the National Food Safety Standard – General Principles for Foods for Special Medical Purpose (FSMP), open for feedback until 29 Feb., 2024.

Meant to resolve unclear/undefined requirements for some products in the existing standard, the Revision will supersede the current GB 29922-2013, revising the product category description for full-nutrition FSMP and non-nutrition FSMP and the related nutrient indicators, and adding the "partial nutrition adjustment type of full-nutrition FSMP".

The Draft includes the following sections about full-nutrition FSMP, the category most related to dairy industry.

Definition of terminology: Full-nutrition FSMP is a formula for special medical purposes that can be used as a single source of nutrients to meet the nutritional needs of target populations.

Categorisation:

- Full-nutrition FSMP for 1-10 year olds
- Full-nutrition FSMP for 10 year olds and above
- Partial nutrition adjustment type of full-nutrition FSMP (full-nutrition FSMP for 1-10 year olds and for 10 year olds

and above with only partial adjustments in energy density, macronutrient content and/or processing technique)

Types and main requirements of partial nutrition adjustment type of full-nutrition FSMP:

Extensively hydrolysed formula:

- Applicable consumers: 1-10 year olds with food protein allergy or gastrointestinal dysfunction
- Main technical requirements:
 - The product should contain 250kJ (60kcal) – 502kJ (120kcal) of energy per 100mL in ready-to-eat state
 - The protein content in the formula comes from the milk protein
 - All milk proteins in the formula are Extensively hydrolysed, primarily into short peptides and amino acids.
 - Lactose can be completely or partially replaced by other available carbohydrates in the formula

Amino acid formula:

- Applicable consumers: 1-10 year olds with food protein allergy or gastrointestinal dysfunction
- The protein content in the formula comes from amino acids; the source of amino acids used should be in accordance with the corresponding regulations, and the rest of the main technical requirements abovementioned

TABLE 3: Content Requirements for Alternative Ingredients in Full-nutrition FSMP

Alternative ingredients	Per 100kJ		Per 100kcal	
	Minimum	Maximum	Minimum	Maximum
Full-nutrition FSMP for 1-10 year olds				
Vitamin K2, µg	0.5	N.S.	2	N.S.
1,3-Dioleoyl-2-palmitoyl glycerol (OPO), g	0.12	0.51	0.5	2.14
Lutein, µg	8.1	22.5	33.8	94.2
Lactoferrin, mg	N.S.	5.32	N.S.	22.3
Casein phosphopeptides (CPP), mg	N.S.	16	N.S.	67
Full-nutrition FSMP for 10 year olds and above				
Vitamin K2, µg	1	N.S.	4.4	N.S.
Eicosapentaenoic acid (EPA) + Docosahexaenoic acid (DHA), mg	3.3	26.5	13.9	111.1
Calcium β-hydroxy-β-methyl butyrate (CaHMB), mg	20	40	83	166
Lutein, µg	120	526	500	2200

Source: Draft Revision of National Food Safety Standard – General Principles for FSMP

Note: N.S.= not specified

Company Dynamics

IPO Progress of Junlebao and South Dairy

Summary: Recently, regional dairy group Junlebao has started a pre-listing tutoring process, and South Dairy has debuted on the NEEQ, aiming to file an application with Beijing Stock Exchange (BSE) after 18 months.

Amid the IPO trend in China's dairy industry, Junlebao Dairy Group Co., Ltd. (Junlebao) and Guizhou South Dairy Co., Ltd. (South Dairy) both announced progress recently.

Junlebao registered for pre-listing tutoring with the China Securities Regulatory Commission (CSRC) on 28 Dec., 2023. Two weeks before the registration, Junlebao had changed its form of enterprise into limited liability company (unlisted) from limited liability company, with a registered capital increase to USD101.7 million (RMB720.0 million) from USD8.8 million (RMB62.2 million), and with its business scope expanded to include production of food for special medical purpose (FSMP).

The company has been actively investing over the past 2 years:

- In Jan 2022, it acquired 20% stakes in Dali Royal Lesson Dairy Co., Ltd. and Yunnan Royal Lesson Dairy Co., Ltd., and in May 2023, it took up another 32.89% stake in each, investing a total of USD46.5 million (RMB329.0 million) in its water buffalo milk operation.
- In Aug. 2022, it acquired the goat dairy operation of Xi'an Yinqiao Dairy Industry (Group) Co., Ltd. and one year later took an 80% stake in Xi'an Yinqiao Dairy Technology Co., Ltd.
- In Jan 2023, it offered USD201,865 (RMB1.4 million) for a 8.79% stake in Shanghai Cheespirit Health Technology Development Co., Ltd. in an angel financing round
- In Nov. 2023, it acquired a 30% stake in "MORE YOGURT", one of the market's leading freshly-made yoghurt brands
- In Dec. 2023, it became a shareholder in Hebei Yiran Biological Technology Co., Ltd., a probiotics producer, to become involved in bacteria strain R&D and production

However these frequent acquisitions have sunk the company into financial mire and may stall its IPO: as

of 31 Dec., 2022, Junlebao's assets totalled USD3.0 billion (RMB21.1 billion) and net assets were USD666.5 million (RMB4.7 billion), but with a debt-asset ratio hitting 77.63%.

The smaller regional firm **South Dairy** listed on the National Equities Exchange and Quotations, NEEQ) on 26 Dec., 2023. The company focuses on Guizhou Province and the neighbouring regions, and plans to file an application with the Beijing Stock Exchange (BSE) after 18 months.

It was set up in Nov. 2017 with a registered capital of USD21.2 million (RMB150 million) and is a subsidiary of Guiyang Agricultural Investment Group (GAIG). It has 8 dairy farms (most located in Gansu) with a total 30,000+ dairy cattle; and 2 plants in Guiyang producing fresh/UHT milk, fermented dairy products, modified milk and milk beverages, with a milk processing capacity of 1,300 t/d.

According to its financial disclosure, South Dairy's turnover is on par with Yantang Dairy and the distributor Pinlive Foods, and its gross margin clearly outperforms these two rivals, sitting mid-high range in the industry.

2022:

- Revenue: USD222.6 million (RMB1.6 billion)
- Net profit: USD25.3 million (RMB179.4 million)
- Gross margin: 24.56%

H1 2023:

- Revenue: USD122.0 million (RMB863.3 million)
- Net profit: USD13.8 million (RMB97.4 million)
- Gross margins: 25.30%

Given the current overcapacity in China's dairy industry, public listings could be more difficult than before. But successful implementation may prove to be more likely for fully integrated dairy businesses. For instance, Inner Mongolia Chevalese Dairy Group Co., Ltd. (Stock Code: 832786) makes 39.69% of its sales from its husbandry operation. By contrast, South Dairy makes 95% of its revenue from liquid dairy sales which are limited to small regions, factors suggesting that it has only a slim chance of transfer to the BSE.

Recent Dairy Farm Construction Project Development in Ningxia

Summary: State Farm Dairy has completed a farm recently, and Jusheng Husbandry and Huahong Husbandry have disclosed their first farm project plans – these involve 26,734 head of dairy cattle in Ningxia, a well-known dairying area in China.

In Ningxia Hui Autonomous Region, a well-known dairying area in China, the sector grew rapidly in 2023. Official data show that by Q3, the region had 909,3000 dairy cattle, up 13.9% YoY – and the 18th consecutive quarterly growth. In Q1–Q3 2023, the region produced 3,145,200 tonnes of milk, up 26.8% YoY; the raw milk output was worth around USD1.3 billion (RMB9.0 billion), up 19.0% YoY. The region's strong supply continues to draw businesses to set up there. In Jan., 3 dairy farm construction projects issued updates:

Ningxia State Farm Dairy Co., Ltd. (State Farm Dairy)

The environmental report on State Farm Dairy's completed 2nd farm in Baitugang Township was published on 11 Jan. State Farm Dairy is purely state-owned as the name suggests, and was managing 140,000+ head by the end of May last year, with daily milk production of 1,800+ tonnes. It is the main supplier for Yili's and Mengniu's premium milk lines.

Project overview:

- Construction nature: New construction
- Total investment: USD148.4 million (RMB1.1 billion), 8.74% (=USD13.0 million/RMB91.72 million) of which for environmental protection
- Location: Baitugang Township, Lingwu City, Ningxia
- Site area: 1,691,333 m²
- Construction content: 21 cattle sheds, 3 milking rooms, and other supporting facilities
- Scale: 19,734 cattle in total – 9,184 milking cows, 5,324 heifers, 5,030 calves, and 196 dry cows
- Milk production: 32,643 t/a
- Construction period: March 2021 to Jan. 2023
- Site acceptance test: 30 Dec.–31 Dec., 2023

Lingwu Jusheng Animal Husbandry Co., Ltd. (Jusheng Husbandry)

The pre-construction environmental impact assessment report on Jusheng Husbandry's standard dairy farm project has been approved. The firm was incorporated in Feb. 2023 and has local government support in developing this project as part of efforts to develop the local dairy sector.

Project overview:

- Construction nature: New construction
- Total investment: USD6.6 million (RMB47.0 million), 10.2% (=USD679,667/RMB4.8 million) of which for environmental protection
- Location: Baitugang Township, Lingwu City, Ningxia
- Site area: 200,000 m²
- Construction content: 6 cattle sheds, 1 milking rooms, and other supporting facilities
- Scale: 3,000 cattle in total – 2,000 milking cows, 500 heifers, 300 dry cows, 200 calves
- Milk production: 16,800 t/a

Ningxia Huahong Agriculture and Animal Husbandry Technology Co., Ltd. (Huahong Husbandry)

The environmental impact assessment report on Huahong Husbandry's dairy farm project was posted on 22 Jan. before submission for approval. Huahong Husbandry was founded in June 2021, and this is the company's first dairy farm.

Project overview:

- Construction nature: New construction
- Total investment: USD11.3 million (RMB80.0 million), 1.3% (=USD149,781/RMB1.1 million) of which for environmental protection
- Location: Wuzhong National Agricultural Science and Technology Park, Litong District, Wuzhong City, Ningxia
- Site area: 116,006 m²
- Construction content: 6 cattle sheds, 1 milking rooms, and other supporting facilities
- Scale: 4,000 Holsteins in total – 1,600 milking cows, 1,600 dry cows, 800 calves
- Milk production: 20,440 t/a

Increased Dairy Capacities at Tianrun Dairy, Bright Dairy and Mengniu

Summary: Recent developments have seen Tianrun Dairy publishing the operational details of its first dairy factory outside Xinjiang, Bright Dairy building a premium drinks factory targeting Southeast Asian markets and Mengniu expanding its pure milk production.

Despite a difficult business environment, dairy processing capacities continue to be built across China.

On 18 Jan., the environment check and acceptance report for completion of the "150,000 t/a liquid milk project (phase I)" of Xinjiang Tianrun Dairy Co., Ltd. (Tianrun Dairy, Stock Code: 600419) was published. It is Tianrun Dairy's first dairy factory outside Xinjiang, having started up at the end of Dec 2023:

- Construction nature: New construction
- Construction entity: Tianrun Qiyuan Dairy Co., Ltd.
- Total investment: USD54.4 million (RMB385.0 million), 6.5% (=USD3.6 million/RMB25.3 million)

of which for environmental protection

- Location: Qihe Economic Development Zone, Dezhou City, Shandong Province
- Site area: 85,148 m²
- Construction content: a combined production workshop and supporting facilities
- Construction period: Oct. 2022 to Nov. 2023
- Site acceptance test: 20 Dec.–21 Dec. 2023

On 16 Jan., the environmental report was issued on a new premium drinks plant set up by Bright Dairy & Food Co., Ltd. (Bright Dairy, Stock Code: 600597), Hunan Yufan Look Dairy Co., Ltd. (Yufan Look Dairy) and the local Government of Haikou National High-Tech Zone. It is the first integrated premium dairy products project in Hainan, with Yufan Look Dairy taking the lead in the construction and Bright Dairy undertakes product R&D and production and operation. The plant's output will

sell locally and to Southeast Asia.

Yufan Look Dairy is a national strategic partner of Bright Dairy—the two co-operate on a yoghurt drink brand called "Bright Look" (for hotels exclusively), selling over 320 million cartons annually.

Project overview:

- Construction nature: New construction
- Total investment: USD17.0 million (RMB120.0), 12.3% (=USD2.1 million/RMB14.77 million)
- Location: National High-Tech Zone of Xiuying District, Haikou City, Hainan Province
- Site area: 46,955 m²
- Construction content: 1 combined workshop, 1 comprehensive warehouse and the supporting facilities
- Construction period: July 2022 to Dec. 2023
- Site acceptance test: 25 Dec.–26 Dec., 2023

TABLE 4: Phase I Product Scheme of Shandong Factory of Tianrun Dairy

Category		Capacity, t/a
UHT Pure milk	Tetra Pak Pillow	10,500
	Combibloc	14,000
UHT yoghurt		17,500
Fresh milk		17,500
Fresh yoghurt	Stirred	14,000
	Set	3,500
"Milk Beer"		28,000
Total		105,000

Source: Tianrun Dairy

TABLE 5: Product Plan of the Premium Drinks Production Plant

Category	Capacity, t/a
Ice products	13,000
Fresh milk	10,000
UHT Milk beverages	16,000
Chilled yoghurt	20,000
Fruit juice	20,000
Total	79,000

Source: Tianrun Dairy

In late Dec., 2023, 2 subsidiaries of China Mengniu Dairy Company Ltd (Mengniu, Stock Code: HK.02319) completed expansion projects adding 62,500 t/a of liquid milk capacity:

Mengniu Dairy (Shenyang) Co., Ltd.

- Total investment: USD7.1 million (RMB50 million), 0.16% (=USD11,304/RMB80,000) of which for environmental protection
- Location: Shenbei New District, Shenyang City, Liaoning Province
- Construction content: add a production line, a milk storehouse and the support facilities in the existing workshop

- Designed capacity: add 19,000 t/a fresh milk; the whole plant can produce 50,000 t/a ice cream and 235,810 tonnes liquid milk now
- Construction period: Sept. 2022 to Feb. 2023
- Commissioning time: March–June 2023
- Site acceptance test: 12 Oct.–13 Oct. 2023

Mengniu Gaoke Dairy Co., Ltd.

- Total investment: USD17.5 million (RMB123.9 million), 0.22% (=USD38,152/RMB270,000) of which for environmental protection

- Location: Dairy Development Zone of Horinger County, Hohhot City, Inner Mongolia Autonomous Region
- Construction content: add a production line and replace 3 low-speed lines with a single high-speed line
- Designed capacity: add 43,500 t/a pure milk capacity; the whole factory now has 93,900 t/a pure milk capacity
- Construction period: Aug.–Nov. 2023
- Site acceptance test: 12 Nov., 2023

Raw Milk Price

China's Milk Market Quiet at the Start of 2024

Summary: The January raw milk price averaged USD517.2/t (RMB3,660/t), unchanged from the end of 2023.

In the week ended 10 Jan., China's raw milk price averaged USD517.2 (RMB3,660) per tonne, unchanged from the first week of the month and down 10.9% YoY.

Feed market:

- The national price of corn averaged USD387.2/t (RMB2,740/t), down 0.7% from the first week of the month and down 9.6% YoY; the average in major production regions (Heilongjiang, Jilin and Liaoning) was down 1.2% to USD351.8/t (RMB2,490/t); and the price in the main demand area, Guangdong, levelling off at USD407.0/t (RMB2,880/t) from the first week
- The national price of soybean meal averaged USD596.3/t (RMB4,220/t), down 1.2% from

the first week of the month and down 15.1% YoY

National Bureau of Statistics (NBS) data show that China's national raw milk output rose by 6.8% from 2022 to 41.97 million tonnes in 2023, 12.93 million tonnes of which were produced in Q4, representing 16.5% QoQ growth.

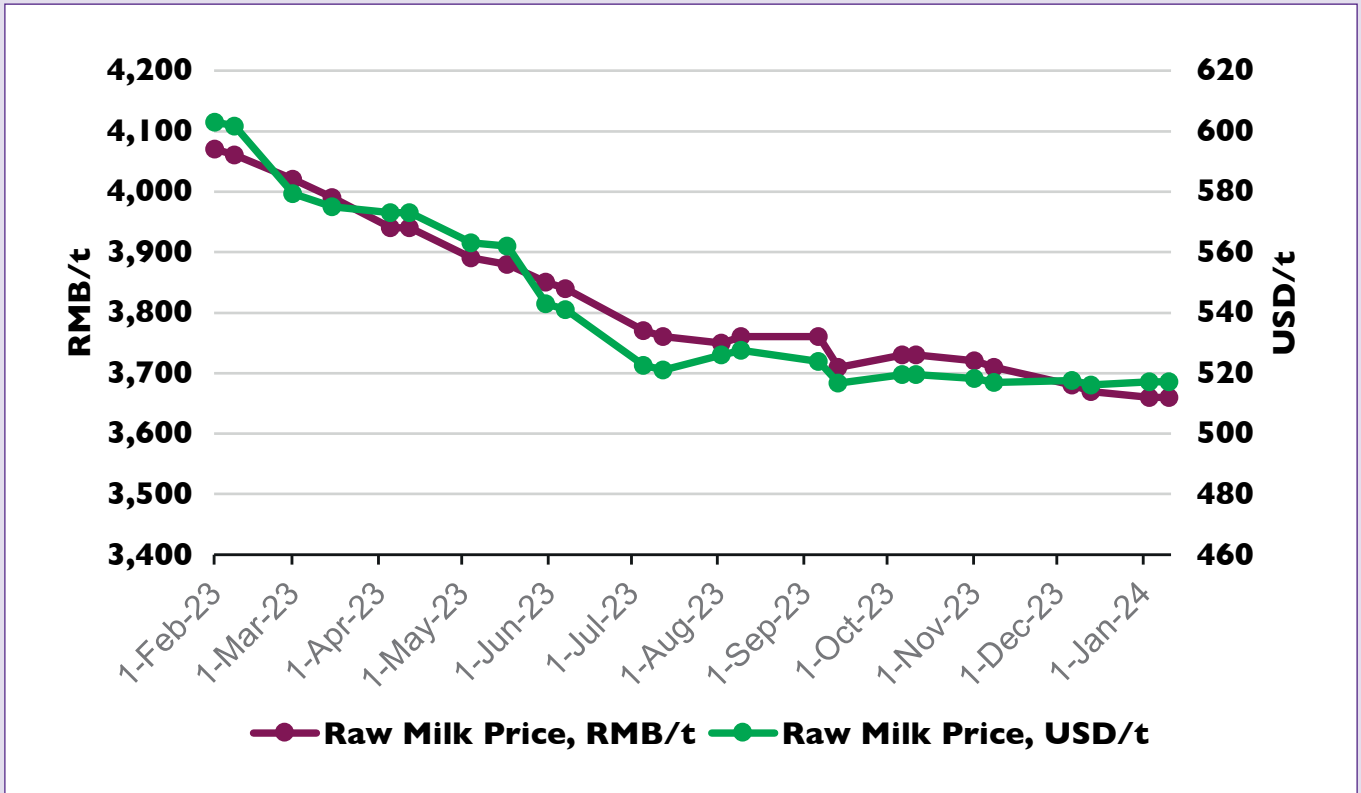
This steady growth has forced the industry to deal with heavy stocks. According to industry sources, about 10,800 tonnes of raw milk were spray dried daily in February last year, and the figure was 4,000–5,000 tonnes in May. Though activities were suspended around the Mid-Autumn Festival Holiday and National Day Holiday (Sept.–early Oct), the level was at 4,000–6,000 tonnes in late Oct to Dec., 2023. It is estimated that over 2 million tonnes of excess milk were dried in 2023.

This led to a significant drop in milk powder imports. In Jan.–Nov., 2023, China imported 95,000 tonnes of milk powder, down 21.8% YoY.

For 2024, continued oversupply and weak demand are expected, requiring effective measures to boost demand and stimulate consumption.

- In the short term, dairy trade will likely be buoyed by sales for gift-giving in the run-up to the 2024 Spring Festival (beginning 10 Feb)
- China's total retail sales of consumer goods in 2023 reached USD6.7 trillion (RMB47.1 trillion), an increase of 7.2% vs. 2022, with sales of food commodities up 5.2%, further growth could occur this year if dairy businesses allow price reductions and more promotions to open up sales channels and diversify their product mix to address a range of consumption scenarios

FIGURE 1: Trends in China's Raw Milk Price, Feb. 2023–Jan. 2024



Source: Ministry of Agriculture and Rural Affairs (MARA)

News in Brief

Dairy Imports in December 2023

December's imports feature some growth in demand in some categories including cheese, AMF and casein whilst continuing to show predictably weak demand for milk powders. Each of the numbers tells a story – slipping cream shows the difficulties being seen in the bakery sector, for instance. Exporters will hope for better as this year proceeds, but should not expect a drastic turnaround.

TABLE 6: 2023 December Imports, tonnes

HS code	Product	2022 12	2023 11	2023 12	MOM	YOY
04011000	Milk & cream, fat ≤1%, not concentrated or sweetened	6,998.1	5,127.9	8,265.4	61.2%	18.1%
04012000	Milk & cream of >1% but ≤6% fat, not concentrated or sweetened	42,785.4	36,652.3	44,588.3	21.7%	4.2%
04014000	Milk & cream, 6%	3.2	0.2	15.5	/	/
04015000	Milk & cream, fat >10%, not concentrated or sweetened	23,469.3	24,699.3	23,313.8	-5.6%	-0.7%
04021000	Milk & cream in solid forms, fat ≤1.5%, concentrated/sweetened	29,097.0	23,516.9	18,353.7	-22.0%	-36.9%
04022100	Milk & cream in solid forms of >1.5% fat, concentrated, unsweetened	38,684.3	22,131.3	20,456.8	-7.6%	-47.1%
04022900	Milk & cream in solid forms of >1.5% fat, concentrated, sweetened	212.8	1.4	26.7	/	-87.4%
04041000	Whey and modified whey	57,590.2	58,840.2	55,926.8	-5.0%	-2.9%
04049000	Products consisting of natural milk constituents, nes	402.2	501.4	598.4	19.4%	48.8%
04051000	Butter	9,121.6	5,337.1	9,299.0	74.2%	1.9%
04059000	Other fats & oils derived from milk	1,845.7	1,717.2	3,860.6	124.8%	109.2%
04061000	Fresh cheese, incl. whey cheese, curd	4,625.3	5,429.7	6,809.4	25.4%	47.2%
04062000	Grated or powdered cheese	4,139.4	6,085.9	4,600.9	-24.4%	11.1%
04063000	Processed cheese, not grated or powdered	1,157.0	1,785.4	1,697.5	-4.9%	46.7%
04064000	Blue-veined cheese, other-veined cheese prod. by penicillium roqueforti	10.2	11.9	3.5	-70.3%	-65.2%
04069000	Cheese, nes	1,660.5	3,491.3	2,214.3	-36.6%	33.4%
17021100	Anhydrous lactose, lactose wt. ≥99%	8,153.0	16,886.0	12,314.8	-27.1%	51.0%
17021900	Lactose syrup & other lactose	109.1	5.8	10.6	83.3%	-90.3%
19011010	For infant food retail packaging formula, the defatted cocoa content < 5%	22,147.1	13,151.2	14,271.0	8.5%	-35.6%
35011000	Casein	1,708.4	1,278.6	2,875.2	124.9%	68.3%
35019000	Caseinates	2,020.7	1,811.2	2,544.3	40.5%	25.9%
35022000	WPC80/WPI	3,594.4	2,452.8	2,408.7	-1.8%	-33.0%

Source: China Customs

Yili to Sell Coal Assets

On 5 Jan., Inner Mongolia Yili Industrial Group Co., Ltd. (Yili, Stock Code: 600887) has posted that its wholly-owned subsidiary Inner Mongolia Shengtai Venture Capital Co., Ltd. is to transfer a 95% equity stake in Changji Shengxin Industrial Co., Ltd. (Changji Shengxin) to Otag Banner Xinya Coal Char Co., Ltd. for USD374.1 million (RMB2.6 billion).

Changji Shengxin was founded in 2008 with a registered capital of USD12.7 million (RMB90.0 million). By 30 Sept. 2023, its net assets amount to USD12.6 million (RMB89.5 million) and it fetches this price mainly due to its mineral resource exploitation rights in Xinjiang county, which were granted in 2009.

The high returns will certainly improve Yili's asset structure and facilitate the growth of its dairy business, with a big improvement to be expected in its Q1 financial data as a result of this deal.

Revised Industrial Standard for Mixed Protein Beverage Approved

On 29 Dec., 2023, the Ministry of Industry and Information Technology (MIIT) approved the revised industrial standard for *Mixed Protein Beverages (QB/T 4222-2023)*, to take effect on 1 July 2024. Amendments have been made to various aspects include the definition, material requirements, physicochemical indicators for mixed protein beverages and food safety terms.

Major revisions:

- Definition: A mixed protein beverage is a beverage made through processing or fermentation from edible ingredients and/or products containing animal proteins such as milk, and plant fruits, seeds, seed kernels and/or products containing a certain level of proteins, with or without the addition of other food ingredients and/or food additives
- Requirements for raw materials: Content of proteins from the claimed ingredients should be more than 50% (claimed ingredient refers to ingredients highlighted on the product label or food specification)

TABLE 7: Physicochemical Indicators for Mixed Protein Beverages

Item	Index		
	Mixed protein beverage	Thick mixed protein beverage	Extra thick mixed protein beverage
Total solids, g/100g≥	6.0		
Protein, g/100g≥	1.0	2.0	3.5
Benzoate, g/100g≤	0.03		

Source: *Mixed Protein Beverage (QB/T 4222-2023)*

Note: a: not applicable to low-sugar or sugar-free mixed protein beverages b: only applicable to products made via a fermentation process that generates benzoate

China to Ban IMF and FSMP Contract Manufacturing

On 9 Jan., the State Administration for Market Regulation (SAMR) issued a draft Measures for the Supervision and Administration of Food Contract Production).

This new regulation is coming despite the increasing demand for food contract manufacturing. The draft includes 36 rules in 6 main chapters regarding the qualification of both sides, contract signature, food material delivery, labelling, monitoring of production process, and product inspection and delivery.

Some prohibitions are underscored:

- Foods for special medical purpose (FSMP) and milk formulae for infants (IMF) are not allowed to be contract manufactured
- Small food production and processing workshops and other production business entities that are subject to local governmental regulations are not allowed to manufacture under contract
- Foods that require complete process production shall not be entrusted to more than one party for partial production, nor may the selected contractor outsource the production

This will seriously affect contract manufacturers of these products and any brands relying upon them of course.

Ausnutria's Kabrita Launches Goat Milk Formula in US

Ausnutria Dairy Corp Ltd. (Ausnutria, Stock Code: HK.01717) has announced the launch of Kabrita Goat Milk-Based Infant Formula (0–12 months) in the US, a market it first entered in 2014 with Goat Milk-Based Infant Formula (12–24 months). Its 0-12 month formula made with goat milk WPC and SMP started clinical trials in 2014 and was approved for marketing by the U.S. Food and Drug Administration (FDA) in June 2023.

Kabrita's overseas sales in H1 2023 amounted to USD27.4 million (RMB193.6 million), up 117.5% over the same period of 2022. Ausnutria noted the scale of the US milk formula market, and it sees the recent launch as an opportunity to accelerate its international business, counteracting its poor performance in China.

China's Births Down to 9.02 million in 2023

According to the National Bureau of Statistics (NBS), the number of births in China in 2023 was 9.02 million, down by 5.65% from 2022 – a relative *"improvement"* compared with the declines of -11.65% in 2021 and of -9.98% in 2022.

The latest trend may ease the contraction of the IMF market a little, but overall competition is only intensifying. By 11 Jan., 2024, there were 349 IMF brands registered in line with the new national standards, owned by 77 firms. Among these brands, 98 are registered for goat milk formula, owned by 43 firms, and 31 are registered for organic formula, owned by 19 firms.

This year China's IMF market will likely suffer high stocks and prolonged price wars, whilst the continuing downtrend in new births will inevitably push more IMF firms into new segments such as adult nutrition and food for special medical purpose (FSMP).

China's Food Safety Law Adds Rules for Liquid Baby Formula

On 19 Jan., the State Administration for Market Regulation (SAMR) published a Revised Draft Food Safety Law, open for review until 19 Feb., 2024. The draft adds registration management rules for liquid baby formula, in light of higher requirements for the production and quality of such products compared to powdered formula, and amends the term *"infant formula milk powder"* to *"infant formula milk powder (liquid milk)"* in the Articles 81, 82 and 124, which are related to the following rules:

- IMF products should register with the Administrative Department of Food Safety Supervision of the State Council
- IMF products must be made by manufacturers which are able to complete the entire manufacturing and packaging process and are not simply packaging base powders
- An IMF manufacturer is not allowed to produce different brands with the same formula; the registrant manufacturer is responsible for the authenticity of the submitted registration documents and should produce IMF products according to the registered/reported technical processes. Penalty rules are provided for violations of the law

In Nov. 2023, SAMR issued the draft Detailed Rules for the Review of Production Licensing of Liquid Baby Formula (see DPCN202311 for details), and this amendment to the Food Safety Law further promotes the control over such products. At present, most of these selling in China are imported, but the recent development of standards may well encourage more domestic dairy enterprises to test the water.

Zhengyuan Husbandry Completes Farm Projects

Inner Mongolia Zhengyuan Animal Husbandry Co., Ltd. (Zhengyuan Husbandry) has completed construction of 2 farm projects introducing a total of 12,788 dairy cattle in the first half of Jan. Founded in April 2010, the firm is a partner is setting up and operating Mengniu's China Dairy Industry Park in Horinger County, Hohhot City, Inner Mongolia Autonomous Region.

1. The "No.2 and No.3 Farms Project in Ecological Dairy Zone"

- Construction nature: New construction
- Total investment: USD98.3 million (RMB696 million), 0.65% (=USD635,862/RMB4.5 million) of which for environmental protection
- Site area: 388,807 m²
- Construction content: 26 cattle sheds, automated milking rooms, workshops, storage rooms and other supporting facilities
- Scale: 8,000 dairy cattle
- Construction period: July. 2023 to Jan. 2024
- Site acceptance test: 9 Jan.–10 Jan. 2024

2. The "Zhengyuan Modern Farm Project"

- Construction nature: New construction
- Total investment: USD51.1 million (RMB361.4 million), 1.13% (=USD579,342/RMB4.1 million) of which for environmental protection
- Construction content: 12 cattle sheds, 1 milking rooms, and other supporting facilities
- Scale: 4,788 cattle in total – 1,272 milking cows, 2,769 heifers and 747 calves
- Construction period: July 2022 to Oct. 2023
- Site acceptance test: 28 Nov.–29 Nov., 2023

Duty-free Access for All NZ Dairy Products to China starts in 2024

All New Zealand dairy products have been able to enter China duty-free from 1 Jan., 2024, as safeguard duties on milk powder ended on 31 Dec., 2023.

New Zealand was the first developed country to sign a free trade agreement (FTA) with China in 2008. Under its terms, by 2019 almost all dairy products were tariff free except bulk milk powder, liquid milk, butter and cheese. For these, the so-called special safeguard measures meant once their import volumes exceeded agreed levels, they would be subject to the MFN tariffs of 10% or above. The safeguards duties on liquid milk, butter, and cheese ended on 31 Dec., 2021, while those on milk powders ended on 31 Dec., 2023.

"This is good news for our dairy sector. The removal of these remaining tariffs is expected to deliver additional annual tariff savings of approximately NZD350 million (USD14 million)," stated New Zealand Trade Minister Todd McClay. Official data showed that in the past three years, New Zealand exported an average of 1.4 million tonnes of dairy products to China each year, about half of which was milk powder.

Impact on China's dairy industry looks to be limited, as reduced milk powder imports are to be expected in any case. Over recent years, China has seen periodic milk surpluses, and the notable changes in dairy industry output / product mix and consumer demand increasingly favour ingredients of higher value add and quality than bulk milk powder.

MORE YOGURT Commits to Organic

On 15 Jan., MORE YOGURT announced it is upgrading all its yoghurt-based products into organic versions. The first upgraded batch will be available in 61 locations in Nanjing, Hefei and the neighbouring cities, later across the country, and each of these stores will be clearly marked with an "organic yoghurt" sign. The company says this will not only enhance the quality and mouthfeel of its freshly-made yoghurt products, but will also reflect the brand's consistent attention to changing consumer needs and its efforts to innovate its offerings.

Established in 2014 by Shanghai Boyi Catering Management Co., Ltd., MORE YOGURT is China's biggest freshly-made yoghurt chain brand with 1,600+ locations across the country. The organic yoghurt used in the upgraded products is produced in Junlebao's factory (Shijiazhuang Yongsheng Dairy Co., Ltd), which has 21,000 t/a designed capacity for organic yoghurt.

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