

Dairy Products China News

Guaranteed Exclusive Analysis

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Welcome to the March issue of Dairy Products China News.

Dairy exports to China have enjoyed their golden years in overall volume terms, and whilst the country's cereal and oilseed imports will remain near record highs this year, that certainly won't be the case for dairy, where the build-up of local capabilities has radically re-shaped requirements from overseas. Even though China's dairy imports this spring have shown some growth, the context for these numbers is all. The dairy trade mix will look increasingly different in the future. As a result of China's structural changes, exporting dairy industries with a strong focus on specific products, sectors and applications have often been increasingly challenged over the last few years – WMP from New Zealand, whey permeate from the US and demineralised whey from Ireland and UHT milk from Europe and Oceania being good examples. Arguably this may turn out to be a good thing for the international dairy industry in the longterm, but it won't feel like it for many exporters!

Each end-use sector has its own dynamics of course. For example, it is interesting to see some signs of life in the pig sector, so important for Chinese demand for whey permeate – despite the welcome opening up of its use in edible applications close to four years ago. This month has seen the Chinese government move to control national pig production capacity after the aggressive expansion of farms over the past two years led to oversupply – prices of pigs were mainly sliding after August last year, local sow inventories dropped by around 5% last year and most pig farmers made losses. However, Q4 last year saw widespread reports of disease outbreaks (ASF and PRRS) throughout China and especially in the north. It is notable that Q4 and now Q1 this year have seen rising piglet prices and indeed there are reports that in reality sow inventories are lower than reported, so the second half of 2024 may well see a pig industry recovery and stronger demand once more for permeate. The future for WMP is less rosy, but there remains potential for whey exporters able to ride the rollercoaster.

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▶ Headlines	2
▶ Market Analysis	3
<i>Namchow Food Reports Growths in 2023</i>	3
<i>Probiotics Developments in Yili and New Hope Dairy</i>	5
<i>2023 Dairy Trends Report</i>	6
▶ Governmental Direction	7
<i>Association Standard for Detecting HMOs in Milk Powders by HPLC Takes Effect</i>	7
<i>China Revises National Food Safety Standards for Milk Powders</i>	8
▶ Company Dynamics	9
<i>Baifei Dairy Files for NEEQ Listing</i>	9
<i>Mixed Forecasts for 2023: China Feihe, Beingmate, H&H Group</i>	10
<i>Jule Food's IPO Struggles</i>	11
<i>New Capacities for Dairy Ingredients for Bakery</i>	12
▶ Raw Milk Price	13
<i>Q1 Sees Continued Decline in Raw Milk Prices</i>	13
▶ News in Brief	14
<i>Dairy Imports in January-February 2024</i>	14
<i>CLASSY KISS and Simple Love Launch in Hong Kong</i>	15
<i>Le Moo Dairy Starts Trial Production Run in Hefei</i>	15
<i>Nayuki Lowers Franchise Threshold</i>	15
<i>Europe-Asia Dairy's Farm in Yunnan Province Starts Up</i>	15
<i>Mengniu Ups Stake in Milkground Food</i>	16
<i>Solicitation on 2 New HMOs Varieties</i>	16
<i>Royal Group Completes 32,000+ t/a Dairy Plant in Guangxi</i>	17
<i>Chevalese Dairy Expects Growth in 2023 Figures</i>	17
<i>Hengfu Lirong Greenlighted for New Dairy Farm</i>	17

Headlines

- ▶ *Namchow Food reported strong growth in revenue (+7.73%) and net profit (+44.73%) in 2023, benefiting from some recovery in demand.*
- ▶ *Recently, probiotics market developments have included Yili showcasing its new strain – *Lacticaseibacillus paracasei* subsp. *paracasei* K56 – and New Hope Dairy launching a new powder product – “Probiotics Cube”.*
- ▶ *In 2023, retail sales of liquid dairy products fell by 1.5% in value terms, whereas sales of adult formula grew by 8.2%.*
- ▶ *The Association Standard: Detection of 7 Human Milk Oligosaccharides (HMOs) in Infant Formula and Formulated Milk Powder (T/SAFC 002–2024) takes effect on 4 March.*
- ▶ *China has issued the National Food Safety Standard – Milk Powder and Modified Milk Powder (GB 19644–2024), taking effect on 8 Feb., 2025.*
- ▶ *Baifei Dairy has applied for listing on the NEEQ, as recent high production costs have limited its chance of accessing the Main Board market.*
- ▶ *Forecasts for 2023 show China Feihe's net profit down by between 30.6% to 36.7%; whilst Beingmate expects an upturn and H&H Group's BNC business faces a double-digit decline.*
- ▶ *Recently Jule Food replied to the 2nd round of IPO vetting enquiries on its qualification, but the data show that it faces severe challenges to its plans.*
- ▶ *Several projects for dairy products for bakery updated on progress in March: Hi-Road's new plant adds 60,000 t/a capacity, Chuzhou Weiyi is to add 54,000 t/a whipping cream capacity, and Wenhui Food is to build 160,000 t/a capacity for modified milk, whipping cream, non-dairy cream and other products.*
- ▶ *Chinese raw milk prices followed a steady downward trend throughout Q1, reflecting weak demand.*

Major Companies and Sites Mentioned in This Issue



Market Analysis

Namchow Food Reports Growth in 2023

Summary: Namchow Food reported strong growth in revenue (+7.73%) and net profit (+44.73%) in 2023, benefiting from some recovery in demand.

On 12 March, Namchow Food Group (Shanghai) Co., Ltd. (Namchow Food, Stock Code: 605339) published its annual report for 2023. Key data are:

- Revenue: USD433.8 million (RMB3.1 billion), up 7.73%
- Net profit attributable to equity shareholders of the listed company: USD32.7 million (RMB232.4 million), up 44.73%
- Net profit attributable to equity holders after deduction of non-recurring loss/profit: USD30.5 million (RMB216.7 million), up 46.59%

Namchow Food stated that the recovering consumption and macro-environment for the bakery industry helped its business back on to a growth track, and its efforts in exploring new distribution channels paid off. The company's optimisation of its product mix, coupled with reduced material costs, sent up the product gross margins from 17.8% in Q4 2022 to 27.2% in Q4 2023.

Key Activities in 2023

- **Production ramp-up:**
 - Namchow Food has added a number of highly automated production lines for frozen dough and

bakery products in order to increase its overall productivity and cost efficiency

- Its plant in Chongqing broke ground last year and is expected to start production for whipping cream and frozen bakery products in Q3 2025

- **Product launches:**

- Oils and fats: New products including Namchow Fresh Milk Baking Oil have performed well; a fresh milk-based range is said to be its recent expansion focus in this category
- Frozen dough and bakery products: New flavours and packs for its existing offerings
- Imported dairy: Lakeland UHT Dairy Whipping Cream (with 35% milk fat content and high stability) has been imported from the UK, to expand its local portfolio

- **Distribution and penetration:** The company sells mainly through contracted distributors and direct distribution, which accounted for 55% and 45% of total revenue respectively in 2023. During the reporting period, the company increased its efforts to develop distributor channels and achieved fast penetration in lower-tier cities. By the end of 2023, the number of its distributors reached 427, an increase of 67 (+19%)

TABLE 1: Namchow Food Main Business Performance in 2023, USD million

Category	Revenue	YoY Change	Operating Cost	YoY Change	Gross Margin Ratio	YoY Change
Oils and fats (butter and oils for bakery)	212.6	-1.90%	156.98	-9.60%	26.16%	up 6.29 %
Whipping cream ("Qianyi" whipping cream, "Joy Q" milk foam topping, "Pleasing" soft serve milk beverage, etc.)	80.19	11.73%	52.72	2.10%	34.26%	up 6.20 %
Imported dairy products (whipping cream, butter, cheese)	90.83	8.85%	76.92	20.67%	15.31%	down 8.30 %
Frozen dough and bakery products	46.58	68.95%	40.6	77.64%	12.85%	down 4.27 %
Fillings for bakery	2.28	12.80%	3.13	4.01%	-37.03%	up 11.58 %
Others	0.55	18.76%	0.07	111.70%	86.72%	down 13.14 %
Total	433.03	7.72%	330.42	4.93%	23.70%	up 2.03 %

Source: Namchow Food

Notes: 1. The increases in revenue and cost of frozen dough and bakery products were mainly attributable to strong sales of new products; the decline in gross profit margin was due to product mix restructuring and higher fixed costs per unit during the ramp-up period of new production lines built in Shanghai plant last year. 2. The gross margins on fats and oils, whipping cream and bakery fillings all increased due to lower raw material costs. 3. The lower gross margins on imported dairy mainly reflected higher purchase prices from Europe.

TABLE 2: Namchow Food Production and Sales in 2023, tonnes

Category	Output	YoY Change	Sales volume	YoY Change	Year-end inventory	YoY Change
Oils and fats (butter and oils for bakery)	93,181.47	3.20%	95,538.66	3.56%	5,659.21	-25.81%
Whipping cream ("Qianyi" whipping cream, "Joy Q" milk foam topping, "Pleasing" soft serve milk beverage, etc.)	27,145.29	10.22%	28,023.09	15.50%	1,041.73	-49.24%
Imported dairy products (whipping cream, butter, cheese)	–	–	16,057.36	1.81%	4,955.68	24.51%
Frozen dough and bakery products	11,530.59	124.47%	11,096.43	109.87%	843.56	55.32%
Fillings for bakery	932.58	16.98%	870.41	12.17%	91.71	29.22%
Total	132,789.93	9.87%	151,585.96	9.57%	12,591.89	-1.73%

Source: Namchow Food

Note: 1. The rise in the inventory of whipping cream was to prepare for year-end promotional activities
 2. The increase in the production, sales and inventory of frozen dough and bakery products was encouraged by significant market sales of new products.

TABLE 3: Namchow Food Production Capacity by 2023, t/a

Category	Designed capacity	Actual Capacity	Building capacity
Oils and fats (butter and oils for bakery)	129,747.68	129,747.68	–
Whipping cream ("Qianyi" whipping cream, "Joy Q" milk foam topping, "Pleasing" soft serve milk beverage, etc.)	29,842.56	29,842.56	20,304.00
Imported dairy products (whipping cream, butter, cheese)	–	–	–
Frozen dough and bakery products	20,421.15	18,087.31	9,566.92
Fillings for bakery	2,703.36	2,703.36	–

Source: Namchow Food

Probiotics Developments – Yili and New Hope Dairy

Summary: Recently, probiotics market developments have included Yili showcasing its new strain – *Lacticaseibacillus paracasei* subsp. *paracasei* K56 – and New Hope Dairy launching a new powder product – "Probiotics Cube".

Recently, both Inner Mongolia Yili Industrial Group Co., Ltd. (Yili, Stock Code: 600887) and New Hope Dairy Holdings Co., Ltd. (New Hope Dairy, Stock Code: 002946) have announced developments in the field of probiotics.

Yili: Continued Strain Innovation

In Feb., Yili showcased its R&D capabilities in applying the proprietary strain, *Lacticaseibacillus paracasei* subsp. *paracasei* K56, at the Boao Food for Health Science Conference and Expo (FHE2024). In addressing the problem of excess weight and obesity, Yili explored the role of K56 in relation to fat reduction and improvement of metabolic syndrome – its clinical trials showed that K56 helps to reduce body fat percentage, body fat mass and visceral fat content, and also helps to improve lipid metabolism.

Prior to this, Yili has also worked with the National Centre of Technology Innovation for Dairy and major research institutes to develop 2 strains of probiotic bacteria which have been used in Yili's cheese, milk formula and lactic acid bacteria (LAB) drinks:

- *Bifidobacterium animalis* subsp. *lactis* BL-99, helps to alleviate the symptoms of functional dyspepsia and

PICTURE 1: New Hope Dairy "Intestine Green Cube"



Source: New Hope Dairy

regulate gut microbiota dysbiosis; research results have been published in Nature Communications, a subjournal of Nature

- *Lacticaseibacillus paracasei* ET-22, helps to prevent dental caries and inhibit oral pathogens

New Hope Dairy: New "Probiotics Cube"

Early in Dec. 2022, New Hope Dairy set up the Chengdu Molecular Power Biotechnology Co., Ltd. to commercialise its proprietary fermentation agents and probiotic strains. On 8 March this year, the company announced the launch of "Probiotics Cube", an instant probiotic powder range of 2 products – "Light Blue Cube" and "Intestine Green Cube" – available on the flagship shops of Tmall.com and Douyin app.

Each "Light Blue Cube" contains 1 billion CFU of active probiotics designed for daily care of stomach and intestines, and each "Intestine Green Cube" contains 40 billion CFU of active probiotics to help deal with intestinal problems. Both contains *Lactiplantibacillus plantarum* LP45, *Lacticaseibacillus rhamnosus* grx10 (developed by New Hope Dairy itself), *Bifidobacterium animalis* subsp. *lactis* HNO19 and *Lactobacillus acidophilus* NCFM.

New Hope Dairy said the launch of "Probiotics Cube" is just a start, and it will continue to explore this area.

Several dairy firms have dabbled in the probiotics market:

- Mengniu (Stock Code: 2319.HK) has developed a probiotic strain (*Lactobacillus paracasei* PC-01) for oral health, and has received over 30 patent rights around PC-01 and related products
- Junlebao has 2 proprietary probiotics, *Lactobacillus Paracasei* N1115 and *Lactobacillus plantarum* N3117 and fermentation agents for yoghurt; to build its position in the field, it became a shareholder in Hebei Yiran Biological Technology Co., Ltd., a probiotics producer, in Dec. 2023
- Ausnutria (Stock Code: 1717.HK) has been operating a 60 t/a probiotics fermented powder facility since Nov., 2023

Although Chinese dairy firms are making some breakthroughs in probiotics R&D and applications, the Chinese industry still lags behind its overseas counterparts – but local R&D and IP investments will change this and there is no doubt that the country represents a major potential market as its health-conscious consumers show growing awareness of the benefits of probiotics.

2023 Dairy Trends Report

Summary: In 2023, retail sales of liquid dairy products fell by 1.5% in value terms, whereas sales of adult formula grew by 8.2%.

On 19 March, the Economic Daily (a Chinese state-owned newspaper) and Yili jointly published the 2023 Dairy Products Consumption Trend Report, with analysis of consumer data from Kantar. The report indicates that in 2023, China's retail sales (including E-commerce) of liquid dairy products (including fresh/UHT milk, ambient/chilled yoghurt, ambient milk beverages, cultured milk) slipped in value terms by 1.5%; conversely, sales of adult formula surged by 8.2%.

Liquid dairy

Last year saw the category decline, primarily due to reduced purchase frequency and volume, and product prices. According to monitoring data from the Ministry of Agriculture and Rural Affairs (MARA) and Ministry of Commerce, there was a 3.7% decline in offline consumption and a 3.5% drop in the average selling price of dairy products in 2023 vs. 2022.

The Kantar data trends show:

- Ambient liquid dairy (ambient milk, milk beverages, yoghurt): sales down 0.4% YoY, with consumption remaining stable
- Chilled liquid dairy (chilled milk, yoghurt and cultured milk): sales down 6.1% YoY, due to fewer consumer purchases

By sales channel, there was a notable decline in liquid dairy sales via large supermarkets, while sales increased rapidly in small supermarkets and wholesale markets.

- Ambient liquid dairy: sales in hypermarkets and large supermarkets declined by 14.4% and 3.4% respectively, while sales in small supermarkets grew by 14.9%
- Chilled liquid dairy:
 - Sales were down by 10.5% and 9.8% in hypermarkets and large supermarkets respectively, but increased 3.7% and 4.5% in small supermarkets and wholesale markets
 - New retail channels integrating online and offline shopping enjoyed 5.1% sales growth, compared with the overall growth of all liquid dairy products in new retail channels (3.3%)

By product segment, there was a rapid increase in demand for mid-to-high-end, functional products, such as set yoghurt (sales +90.9%), lactoferrin milk (+60.5%), casein milk (+33.8%), organic dairy products (+20.9%), sugar-reduced dairy products (+13.7%) and high-calcium milk (+3.2%).

Adult formula

Driven by the premiumisation strategy of leading dairy firms, the adult formula market grew by 8.2% in 2023. Key contributing factors were price

increases, growing sales to urban households and larger average volume per purchase.

- By distribution channels, online platforms were key, with the importance of small supermarkets increasing. Online channels accounted for 24.2% of adult formula sales, up 3.8%; hypermarkets, large supermarkets, and small supermarkets accounted for 16.5%, 16.6%, and 14.3% of total sales, sales through these channels changing by -8.5%, +6.5%, and +23.1% respectively
- Looking at different city tiers, adult formula showed sales growth across all levels of cities, with outstanding figures in provincial capital cities, up 12.9%. Sales in counties and prefecture-level cities accounted for 36.0% and 35.6% of the national sales of adult formulae, increasing by 8.6% and 6.8% respectively. Sales in Beijing, Shanghai, Guangzhou and Chengdu (representative economically developed cities of the 4 broad regions of China – North, South, East and West) grew by 3.0%
- By origin of product, imported adult formula lost a little market share in 2023, as sales of domestic products grew at a faster pace. In 2023, domestic adult formula accounted for 71.3% of national adult formula sales, up by 9.9%, compared with the 4.2% growth in sales of imported adult formula

Governmental Direction

Association Standard for Detecting HMOs in Milk Powders by HPLC Takes Effect

Summary: *The Association Standard: Detection of 7 Human Milk Oligosaccharides (HMOs) in Infant Formula and Formulated Milk Powder (T/SAFC 002—2024) takes effect on 4 March.*

On 4 March, the Shanghai Association for Food & Cosmetics Quality Safety Management published an *Association Standard: Detection of 7 Human Milk Oligosaccharides (HMOs) in Infant Formula and Formulated Milk Powder (T/SAFC 002—2024)*, effective as of that day.

The Standard has been drafted by Yashili International Holdings Ltd., in collaboration with the Infant Nutrition R&D Center of the Shanghai Institute of Quality Inspection and Technical Research, Blue River Nutrition Co., Ltd., Yeeper Dairy Group Co., Ltd., Shanghai Howell Nutrition Dairy Co., Ltd., Mead Johnson Nutritionals (China) Ltd., Agilent Technologies (China) Co., Ltd.

Drafting background

HMOs are the 3rd most abundant solids in breastmilk (after lactose and fat) and support the immune system, intestinal health and brain development. Their benefits have led to increased use in milk powders. In order to ensure the safety and quality of such products, and to encourage R&D and innovation in this area, the Standard uses High Performance Liquid Chromatography (HPLC) for detecting 7 main HMOs: 2'-FL, 3-FL, 3'-SL, 6'-SL, LNT, LNnT, DFL – although so far China has only approved use of 2'-FL and LNnT in milk powders.

Main technical content

- Extract the 7 kinds of HMOs with water; according to whether or not galacto-oligosaccharides (GOS) are added to the samples, use different enzymatic hydrolysis methods (by adding amyloglucosidase, or compound addition of amyloglucosidase and β -Galactosidase from *Escherichia coli*); then use fluorescence detector and internal standard to detect and quantify the substance
- The enzymatic hydrolysis conditions used in this method can effectively reduce the interference of GOS in the sample detection; the chromatographic column used has high chemical resistance and a good resolution to ensure that the sampled HMOs are well separated. The HPLC method is easy to operate and has a low testing cost, useful for routine, rapid quantitative tests

HMOs Regulatory Status

To date, there are no international standards specified for the detection of HMOs. In China, only 2 association standards were available before the latest one, which are *Determination of 7 HMOs in Infant Milk Formula by Liquid Chromatography-Mass Spectrometry/LC-MS (T/TDSTIA032-2023)* drafted by the Tianjin Association of Dairy Science and Technology Innovation, and *Determination of 2'-FL in Food by Ion Chromatography* drafted by the Chinese Institute of Food Science and Technology – the standards are not at national or industrial levels, and the adoption of the first method requires high mass spectrometer and experimental costs, whilst the latter is inefficient in that it covers 2'-FL only.

China Revises National Food Safety Standards for Milk Powders

Summary: China has issued the *National Food Safety Standard – Milk Powder and Modified Milk Powder (GB 19644-2024)*, taking effect on 8 Feb., 2025.

On 12 March, China's National Health Commission released the *National Food Safety Standard – Milk Powder and Modified Milk Powder (GB 19644-2024)*, which will take effect on 8 Feb., 2025.

This standard supersedes the 2010 version of *National Food Safety Standard – Milk Powder* and is more aligned with current consumer needs and industry development goals. It steps up regulation of the production of modified milk powder products, adds quality requirements for milk powders from different sources such as camel, sets the minimum level of live bacteria number for products including active bacterial cultures, and toughens rules for product labelling; all this

could place greater pressure on producers of infant and adult formula.

Key contents are summarised below:

- Application scope: milk powder (whole, skimmed, partially skimmed) and modified milk powder
- Definition of milk powder: a powdered product made from raw milk from a single animal source
- Definition of modified milk powder: a powdered product processed from raw milk from a single animal source and (or) processed whole milk (or skimmed or partially skimmed milk) as the main ingredient, adding other ingredients (excluding whole, skimmed and partially skimmed milk from other animal sources), food additives, nutrition enhancers, with milk solids >70%

TABLE 4: Physicochemical Indicators for Milk Powders and Modified Milk Powder

	Item	Range
Protein, g/100g≥	Cow milk powder	MSNF ≥34%
	Modified cow milk powder	16.5
	Goat/sheep milk powder	MSNF ≥34%
	Modified goat/sheep milk powder	16.5
	Yak milk powder	MSNF ≥39%
	Modified yak milk powder	18.6
	Camel milk powder	MSNF ≥36%
	Modified camel milk powder	16.8
	Donkey milk powder	MSNF ≥18%
	Modified donkey milk powder	11
	Horse milk powder	MSNF ≥18%
	Modified horse milk powder	11.5
Fat, g/100g≥	Cow milk powder	26
	Goat/sheep milk powder	26
	Yak milk powder	33
	Camel milk powder	28
	Donkey milk powder	2.5
	Horse milk powder	10
Acidity of reconstituted lactic acid, °T	Cow milk powder	≤18
	Goat/sheep milk powder	7–14
	Yak milk powder	12.5–18
	Camel milk powder	≤24
	Donkey milk powder	≤6
	Horse milk powder	≤10
Foreign matter, mg/kg	Milk powder	≤16
Water, g/100g≤		5

Source: *Milk Powders and Modified Milk Powder (GB 19644-2024)*

Note: MSNF percentage = 100% – FAT % – Water %
The fat content index applies only to whole milk powder.

TABLE 5: Microbiological limits for Milk Powder and Modified Milk Powder

Item	Sampling limits			
	n	c	m	M
Total plate count*, CFU/g	5	2	5.0×10 ⁴	2.0×10 ⁵
Coliform group, CFU/g	5	1	10	100

Source: Milk Powders and Modified Milk Powder (GB 19644-2024)

Note: *The limits for the aerobic plate count test are not applicable for products including active bacterial cultures (aerobic bacteria and facultative anaerobic bacteria); if live bacteria are added, their number in the product shall be $\geq 10^6$ CFU/g

Company Dynamics

Baifei Dairy Files for NEEQ Listing

Summary: Baifei Dairy has applied for listing on the NEEQ, as recent high production costs have limited its chance of accessing the Main Board market.

Buffalo milk producer Guangxi Baifei Dairy Co., Ltd. (Baifei Dairy) produces a range of buffalo products including pure (UHT) milk, fresh milk, yoghurt, and school milk. It has recently applied for listing on the National Equities Exchange and Quotations (NEEQ, also known as the New Third Board). Back in July 2023, the company filed for pre-listing tutoring on Shanghai Stock Exchange (SSE)'s main board. Baifei Dairy's parent company Guangxi Baifei Investment Co., Ltd. (Guangxi Baifei) was listed on NEEQ from June 2018 to March 2021.

Buffalo Milk Business

According to this latest application, Baifei Dairy has seen sustained growth in both revenue and net profit over the past 3 years, as well as making notable progress in social media and E-commerce marketing:

- Its E-commerce marketing accounted for 37.28%, 30.97% and 32.36% of sales costs in 2021, 2022 and Jan.–August 2023 respectively

- Its online sales (direct to consumers and via distributors on Tmall.com and JD.com) improved from USD24.6 million (RMB175.0 million, =24.50% of total sales) in 2021 to USD25.5 million (RMB181.1 million, =27.36% of total sales) in Jan.–August 2023

Growing consumer demand has certainly helped: data from JD.com shows buffalo milk sales grew 65% YoY in H1 2023. Another positive has been take-up in foodservice applications (in freshly-made tea

drinks and coffee) by a series of leading operators such as HEYTEA, Nayuki and Tim Hortons.

Production Costs

Regardless of this growth, though, small independent farms with low yields and high milk prices when buying from cooperatives are the main constraints on Baifei Dairy's development overall, and the main reason why the company is turning to the NEEQ, a more accessible financing platform for SMEs.

TABLE 6: Key Data of Baifei Dairy in 2021–2023, USD million

Item		2021	2022	Jan.–August 2023
Revenue	UHT milk	56.9	79.9	71.3
	Modified milk	40.3	27.3	19.7
	Milk beverages	2.4	1.6	1.3
	Fermented milk	0.8	0.3	0.2
	Fresh milk	0.2	0.2	0.2
	Non dairy products	/	/	0.1
	Other businesses	/	0.7	0.3
	Total	100.5	109.9	93.1
Net profit		18.5	16.2	21.3
Gross margins		33.55%	28.01%	36.76%

Source: Baifei Dairy's Reports

According to its listing application Baifei Dairy's milk purchase price averaged USD992.1/t (RMB7,050/t) in 2021, USD1,059.7/t (RMB7,530/t) in 2022 and USD931.6/t (RMB6,620/t) in Jan.–August 2023 – all above

the prevailing market levels. These have made its products less price-competitive when it is under great pressure to maintain product prices and gross margins to compete at a time of uncertain demand.

The company has been making efforts to address this situation – in H2 2023, it registered 2 dairy farming subsidiaries – but such initiatives will take time to bring results.

Mixed Forecasts for 2023: China Feihe, Beingmate, H&H Group

Summary: Forecasts for 2023 show China Feihe's net profit down by between 30.6% to 36.7%; whilst Beingmate expects an upturn and H&H Group's BNC business faces a double-digit decline.

Three Chinese baby formula brands – China Feihe Ltd (China Feihe, Stock Code: HK.06186), Beingmate Co., Ltd. (Beingmate, Stock Code: 002570), and H&H Group (Stock Code: HK. 01112) – recently posted their earnings forecasts for 2023.

China Feihe:

- Revenue: USD2.7 billion–USD2.8 billion (RMB19.3 billion–RMB19.9 billion), down by 6.7%–9.5% vs. 2022
- Net profit: USD440.5 million–USD482.7 million (RMB3.1 billion–RMB3.4 billion), down by 30.6%–36.7%

China Feihe attributed the lower revenue to fewer newborns and increased competition in the category; the sharp drop in net profit reflects a significant net loss at its subsidiary Yuanshengtai Dairy (Stock code: 01431.HK) and increased marketing costs required to combat the competitive market environment.

China Feihe's distribution and marketing costs have remained high over years: USD740.7 million in 2020, USD947.0 million in 2021 (+27.85% YoY), down 2.73% in 2022 but up 10.11% in H12023 from the full-year number of 2022. The spend was on advertising and branding to enhance brand awareness and maintain market share, but sales growth proved unattainable, so profitability was impacted.

Beingmate:

- Net profit attributable to equity shareholders of the listed company: USD5.6 million–USD8.4 million (RMB40

million–RMB60 million) vs. a loss of -USD24.8 million (-RMB175.9 million) in 2022

- Net profit excl. extraordinary gains/losses: USD281,456–USD3.1 million (RMB2 million–RMB22 million) vs. a loss of -USD30.0 million (-RMB212.9 million) in 2022

Beingmate credited its continued efforts in digital marketing with the turnaround in earnings. Its sales from E-commerce platforms were USD55.2 million (RMB392 million) in 2021, USD61.4 million (RMB436 million) in 2022 and USD34.2 million (RMB243 million) in H1 2023 – rising to 19.06% of total revenue in that last period.

Alongside this, Beingmate took steps to improve its handling of accounts receivable and inventory, leading to reduced credit and inventory impairment losses.

H&H Group

The Group expects high single-digit growth in overall earnings for 2023, but with mixed sales figures across the segments:

- Baby Nutrition and Care (BNC): sales down by low double-digits, with a median double-digit decline in infant formula, and high single-digit growth in paediatric probiotic and nutritional supplements, partially mitigating the decline in the infant formula business
- Adult Nutrition and Care (ANC): sales up by double-digits, with new launches in the Swisse Plus+ range in China being the biggest contributor
- Pet Nutrition and Care (PNC): sales up by double-digits, with strong momentum in North America and China

Jule Food's IPO Struggles

Summary: Recently Jule Food replied to the 2nd round of IPO vetting enquiries on its qualification, but the data show that it faces severe challenges to its plans.

Recently, Sichuan Jule Food Co., Ltd. (Jule Food) replied to the 2nd round of IPO vetting enquiries, answering 10 questions raised by the Shenzhen Stock Exchange (SSE) on whether the company is qualified for the main board. However, the data provided show some major hurdles for the company to deal with after 3 failed applications to list on the A-share market since 2017.

Growth Slowdown

The company's milk beverage sales saw a continued slowdown from 2020 to H1 2023 (as shown in the table), a significant problem in that these products accounted for more than 50% of its turnover. The trend was ascribed to 2 factors:

- Domestic demand has been shifting away from milk beverages to pure (UHT) milk and fresh milk, with the rise in health awareness and knowledge of dairy products. This has left Jule Food with persistent excess capacity, with utilisation levels for 2020, 2021, 2022 and H1 2023 at 86.47%, 79.74%, 85.29% and 82.40% respectively

- The milk beverage industry has a low entry barrier, and the big brands like Yili, Mengniu, Liziyuan and Wahaha offer similar products, leading to intense competition in the market and leaving Jule Food facing significant competitive pressure

Acquisition Problems

In 2020, Jule Food acquired a 55% stake in Heilongjiang Huifeng Dairy Food Co., Ltd. (Huifeng Dairy) to expand its market presence into northeast China, across Heilongjiang, Inner Mongolia, and Jilin. However, since the acquisition, Huifeng Dairy's performance and revenue have been falling year after year:

- Revenue:
 - 2021: USD47.5 million (RMB337 million, =23.79% of total revenue)
 - 2022: USD43.7 million (RMB310 million, =21.13% of total revenue)
 - H1 2023: USD20.7 million (RMB147 million, =19.02% of total revenue)
- Net profit:
 - 2021: USD3.9 million (RMB28 million)
 - 2022: USD3.7 million (RMB26 million)
 - H1 2023: USD1.8 million (RMB13 million)

Jule Food mentioned that Huifeng Dairy primarily focused on chilled yoghurt, along with a little UHT milk and modified milk. The decline in its performance was due to the slow recovery of dairy demand in the northeast region, particularly for chilled yoghurt. Additionally, there was an oversupply of milk in the northeast, leading to a supply-demand imbalance and heightened competition. Despite this market environment, Jule Food refused to reduce product prices to maintain its profits, resulting in lower sales volumes.

Weak R&D Capacity

Innovation capacity should have played a critical role in the company's business development, but its R&D investment ratios were just 0.28%, 0.44%, 0.43%, and 0.29% in 2020, 2021, 2022, and H1 2023 respectively. In comparison, other milk beverage-centred brands such as Liziyuan and Juneyao Health have focused more on this area: for instance, Liziyuan allocated 0.87%, 0.96%, 1.10%, and 1.25% of its revenue to R&D during the same periods.

Jule Food shows a relatively limited product range, slowing growth and unimpressive R&D capability – all of which suggest that its chances of a successful IPO are rather low.

TABLE 7: Jule Food's Sales Breakdown by Product Category, 2020–H1 2023, USD million

Category	2020	2021		2022		H1 2023	
	Sales	Sales	YoY Change	Sales	YoY Change	Sales	YoY Change (annualised)*
Milk beverages	91.1	103.1	13.13%	113.3	9.91%	62.2	9.77%
Fermented milk	14.3	53.3	273.16%	49.8	-6.51%	23.1	-7.31%
Fresh milk	10.8	14.8	37.91%	15.5	4.76%	8.3	6.73%
UHT milk	21	26.4	25.41%	24.5	-6.96%	12.4	1.55%
Other dairy products (mixed protein beverages, modified milk and ice cream)	2.4	1.7	-27.12%	3.2	87.16%	2.5	55.76%
Non-dairy products	/	0.2	/	0.3	42.51%	0.2	7.95%
Total	139.5	199.5	42.97%	206.7	3.61%	108.7	5.16%

Source: Jule Food

Note: *H1 2023 Growth Rate = Current Period Sales × 2 / Previous Year Sales – 1

New Capacities for Dairy Ingredients for Bakery

Summary: Several projects for dairy products for bakery updated on progress in March: Hi-Road's new plant adds 60,000 t/a capacity, Chuzhou Weiyi is to add 54,000 t/a whipping cream capacity, and Wenhui Food is to build 160,000 t/a capacity for modified milk, whipping cream, non-dairy cream and other products.

In March, 3 new projects have been announced related to dairy ingredients for bakery, by Shanghai Hi-Road Food Technology Co., Ltd. (Hi-Road, Stock Code: 300915.SZ), Rich Products (Chuzhou) Co., Ltd. (Chuzhou Rich Products), and Ma'anshan Wenhui Food Industry Co., Ltd. (Ma'anshan Wenhui Food).

Hi-Road opened up a 16,500m² South China Production Site in Foshan Shuidu Beverage and Food Industrial Park on

1 March. Over USD14.1 million (RMB100 million) has been invested in the site which is expected to produce 60,000 t/a of non-dairy cream, modified milk and plant-based protein drinks, worth USD140.7 million (RMB1 billion). It is Hi-Road's first site in South China, expected to supply for the local market, Southwest China and Southeast Asia, including leading bakery brands' operating in the same park such as Toly Bread and MISSION.

Chuzhou Rich Products' ultra-pasteurised whipping cream project was accepted for environmental impact review on 7 March. The company is wholly-owned by US Rich Products Corporation. It operates 3 production lines for whipping cream (14,000 t/a) and non-dairy cream (36,000 t/a). The project was raised to profit from the rising bakery market.

TABLE 8: Project Production Plan of Ma'anshan Wenhui Food

Item	Designed Capacity, t/a	
Dairy products	Fresh milk	2,000
	UHT milk	5,000
	Modified milk	10,000
	Fermented milk	2,000
	Condensed milk	2,000
	Whipping cream	4,000
	Butter	1,000
	Processed cheese	1,000
	Natural cheese	1,000
	Milk beverages	30,000
Edible oil products	Non-dairy cream	15,000
Beverages	Tea drinks	4,000
	Plant-based protein drinks	30,000
	Mixed protein drinks	4,000
	Fruit and vegetable juices and beverages	2,000
	Other drinks and bottled water	40,000
Other foods	Jellies	2,000
	Soft serve ice cream mix	5,000
Total	160,000	

Source: Ma'anshan Wenhui Food

Project details:

- Construction nature: Expansion
- Total investment: USD7.0 million (RMB50 million), 0.4% (=USD28,146/RMB200,000) of which for environmental protection
- Location: Suchu High-tech Industrial Park, Chuzhou City, Anhui Province
- Site area: 66,443 m², no extra land taken
- Construction content: Add a 54,000 t/a line for whipping cream (1L) and 2 filling lines
- Construction period: 3 months

Ma'anshan Wenhui Food's high-end food project was given a go-ahead for construction on 4 March. The company is wholly-owned by Shanghai Wenhui Food Industry Co., Ltd. (Wenhui Food). Wenhui Food started its business with non-dairy creamer in 1997 and now owns an expanded range modified milk, whipping cream; it is one of the dairy suppliers for Luckin Coffee.

Project details:

- Construction nature: New construction
- Total investment: USD112.6 million (RMB800 million), 2.5% (=USD2.8 million/RMB20 million) of which for environmental protection
- Location: Dangtu County, Ma'anshan City, Anhui Province
- Site area: 61,010 m²
- Construction content: Build a plant with 160,000 t/a capacity (see table) and supporting equipment
- Construction period: 6 months

Raw Milk Price

Q1 Sees Continued Decline in Raw Milk Prices

Summary: Chinese raw milk prices followed a steady downward trend throughout Q1, reflecting weak demand.

In the week ended 14 March, China's raw milk price averaged USD499.6/t (RMB3,550/t) per tonne, down 0.3% from the first week of the month and down 11.0% YoY.

Feed market:

- The national price of corn averaged USD364.5/t (RMB2,590/t), levelling off from the first week of the month but down 13.4% YoY; the average in major production regions (Heilongjiang, Jilin and Liaoning) was up 0.4% to USD330.7/t (RMB2,350/t); and the price in the main demand area, Guangdong, down by 1.1% to USD381.4/t (RMB2,710/t) from the first week
- The national price of soybean meal averaged USD536.2/t (RMB3,810/t), up 0.3% from the first week of the month but down 17.7% YoY

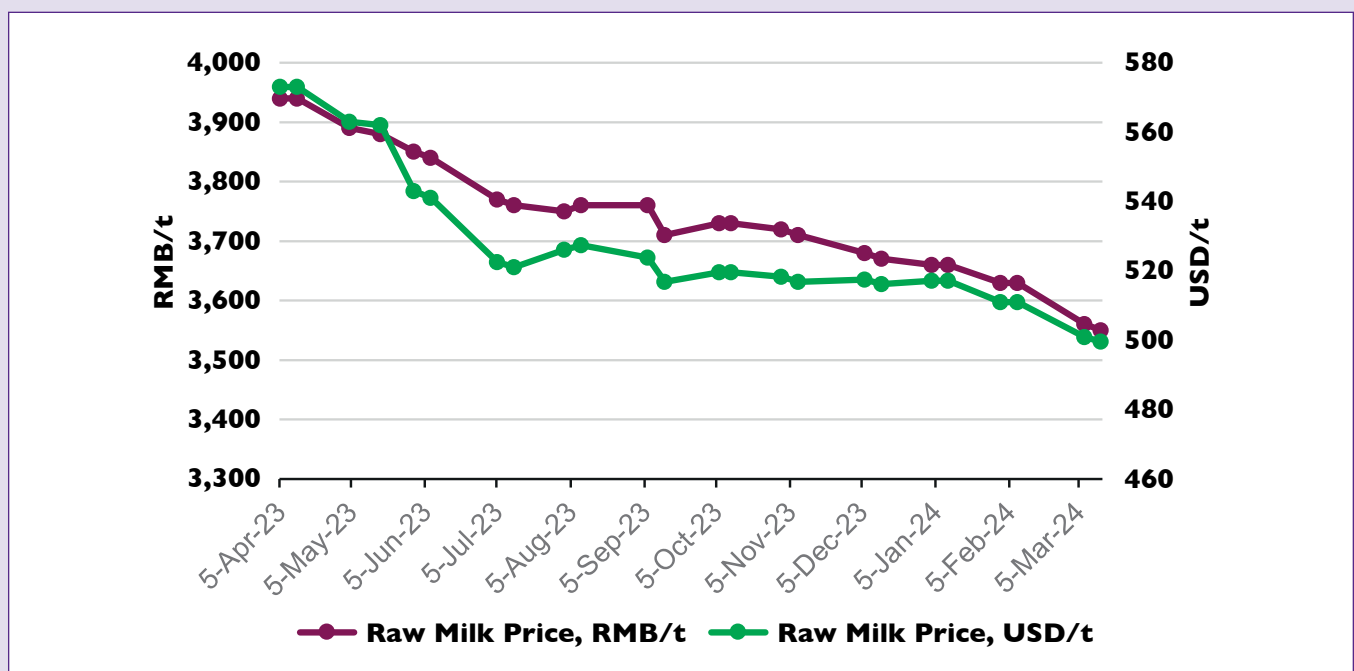
In Q1 2024, Chinese raw milk prices have decreased steadily month by month to their lowest level since 2019. The supply-demand relationship plays a fundamental role here:

- Supply: Typically, the cyclical pattern sees "milk price increases → more dairy cows → higher milk supply → lower milk prices → substantial culling → reduction in milk supply → rise in raw milk prices"

- From June 2020 to August 2021, driven by escalating dairy farming costs and consumer demand due to increased health-awareness, milk prices climbed steadily
- From Sept. 2021 to Dec. 2022, prices began a slow decline as demand stabilised and the dairy herd grew
- Entering 2023, issues of oversupply became more pronounced over time as a result of farm expansion and milk production growth, leading to accelerated falls in raw milk price
- Demand:
 - It had been expected that the demand during the Spring Festival in Q1 would stimulate an increase in dairy processing, enabling raw milk prices to rise
 - However, in fact the stimulus was modest. Official data showed that the national sales volume of ambient/chilled milk, yoghurt and adult formula all declined YoY during the festive period

China's commitment to improving its cattle numbers and yields is expected to further increase total milk supply and keep prices low; how demand develops in the months ahead will be a key determinant of any recovery in the local milk prices.

FIGURE I: Trends in China's Raw Milk Price, April 2023–March 2024



Source: Ministry of Agriculture and Rural Affairs (MARA)

News in Brief

Dairy Imports in January-February 2024

Import levels were up over the first two months of the year for some items such as cream, WMP, butter, cheese, lactose, but these figures are against low numbers last year and need to be interpreted in light of still weak demand and higher local production over the last 12 months of WMP in particular but also other products, cheese and cream for instance. There are notable drops in the first two months' import volumes for SMP, whey powder/permeate and infant formula.

TABLE 9: 2024 January Imports, tonnes

HS code	Product	202301	202312	202401	MOM	YOY
04011000	Milk & cream, fat ≤1%, not concentrated or sweetened	6,746.4	8,265.4	3,987.5	-51.8%	-40.9%
04012000	Milk & cream of >1% but ≤6% fat, not concentrated or sweetened	39,032.7	44,588.3	30,077.9	-32.5%	-22.9%
04014000	Milk & cream, 6%	3.2	15.5	0.5	-97.0%	-85.1%
04015000	Milk & cream, fat >10%, not concentrated or sweetened	19,608.2	23,313.8	24,575.1	5.4%	25.3%
04021000	Milk & cream in solid forms, fat ≤1.5%, concentrated/sweetened	34,265.7	18,353.7	29,126.5	58.7%	-15.0%
04022100	Milk & cream in solid forms of >1.5% fat, concentrated, unsweetened	46,252.5	20,456.8	60,227.3	194.4%	30.2%
04022900	Milk & cream in solid forms of >1.5% fat, concentrated, sweetened	72.1	26.7	31.7	18.5%	-56.1%
04041000	Whey and modified whey	61,007.2	55,926.8	47,565.7	-15.0%	-22.0%
04049000	Products consisting of natural milk constituents, nes	334.4	598.4	403.6	-32.6%	20.7%
04051000	Butter	9,364.4	9,299.0	9,002.7	-3.2%	-3.9%
04059000	Other fats & oils derived from milk	3,366.0	3,860.6	1,006.0	-73.9%	-70.1%
04061000	Fresh cheese, incl. whey cheese, curd	4,989.7	6,809.4	5,140.1	-24.5%	3.0%
04062000	Grated or powdered cheese	3,287.3	4,600.9	5,296.8	15.1%	61.1%
04063000	Processed cheese, not grated or powdered	1,462.9	1,697.5	1,610.2	-5.1%	10.1%
04064000	Blue-veined cheese, other-veined cheese prod. by penicillium roqueforti	3.5	3.5	5.8	64.2%	66.9%
04069000	Cheese, nes	3,364.3	2,214.3	3,383.0	52.8%	0.6%
17021100	Anhydrous lactose, lactose wt. ≥99%	11,913.3	12,314.8	13,528.8	9.9%	13.6%
17021900	Lactose syrup & other lactose	65.7	10.6	1.2	-88.9%	-98.2%
19011010	For infant food retail packaging formula, the defatted cocoa content < 5%	23,670.2	14,271.0	11,736.5	-17.8%	-50.4%
35011000	Casein	1,099.3	2,875.2	2,093.2	-27.2%	90.4%
35019000	Caseinates	1,662.7	2,544.3	2,912.5	14.5%	75.2%
35022000	WPC80/WPI	2,972.2	2,408.7	2,304.1	-4.3%	-22.5%

Source: China Customs

TABLE 10: 2024 February Imports, tonnes

HS code	Product	202401	202402	202302	MOM	YOY
04011000	Milk & cream, fat ≤1%, not concentrated or sweetened	3,987.5	4,475.7	5,436.6	12.2%	-17.7%
04012000	Milk & cream of >1% but ≤6% fat, not concentrated or sweetened	30,077.9	26,099.2	29,163.7	-13.2%	-10.5%
04014000	Milk & cream, 6%	0.5	0.2	0.0	-61.4%	/
04015000	Milk & cream, fat >10%, not concentrated or sweetened	24,575.1	15,027.2	15,943.8	-38.9%	-5.7%
04021000	Milk & cream in solid forms, fat ≤1.5%, concentrated/sweetened	29,126.5	25,306.2	40,457.6	-13.1%	-37.5%
04022100	Milk & cream in solid forms of >1.5% fat, concentrated, unsweetened	60,227.3	50,020.7	49,088.9	-16.9%	1.9%
04022900	Milk & cream in solid forms of >1.5% fat, concentrated, sweetened	31.7	2.5	143.5	-92.1%	-98.3%
04041000	Whey and modified whey	47,565.7	38,066.4	51,560.6	-20.0%	-26.2%
04049000	Products consisting of natural milk constituents, nes	403.6	278.5	665.4	-31.0%	-58.1%
04051000	Butter	9,002.7	7,933.4	6,280.1	-11.9%	26.3%
04059000	Other fats & oils derived from milk	1,006.0	1,623.6	2,107.3	61.4%	-23.0%
04061000	Fresh cheese, incl. whey cheese, curd	5,140.1	4,149.0	4,157.3	-19.3%	-0.2%
04062000	Grated or powdered cheese	5,296.8	2,625.2	4,034.2	-50.4%	-34.9%
04063000	Processed cheese, not grated or powdered	1,610.2	1,103.2	1,235.7	-31.5%	-10.7%
04064000	Blue-veined cheese, other-veined cheese prod. by penicillium roqueforti	5.8	4.9	7.3	-15.3%	-32.3%
04069000	Cheese, nes	3,383.0	2,482.2	3,076.7	-26.6%	-19.3%
17021100	Anhydrous lactose, lactose wt. ≥99%	13,528.8	11,169.3	8,596.5	-17.4%	29.9%
17021900	Lactose syrup & other lactose	1.2	2.5	5.8	108.4%	-57.8%
19011010	For infant food retail packaging formula, the defatted cocoa content < 5%	11,736.5	16,967.5	23,576.1	44.6%	-28.0%
35011000	Casein	2,093.2	1,546.4	1,939.1	-26.1%	-20.3%
35019000	Caseinates	2,912.5	2,546.1	1,072.6	-12.6%	137.4%
35022000	WPC80/WPI	2,304.1	1,936.2	1,384.7	-16.0%	39.8%

Source: China Customs

CLASSY KISS and Simple Love Launch in Hong Kong

On 22 Feb., Classy Kiss Dairy (Shenzhen) Co., Ltd. (Classy Kiss) entered a strategic partnership with Uni-China (Business) Management Ltd (Uni-China Group) to launch its yoghurt brand "CLASSY KISS" in Hong Kong. Uni-China Group will use its strong retail network and established food trading and cold-chain logistics to introduce a range including "007 Probiotic Family Pack Yoghurt (Original)", "One Hour After Meal", and "Natural Yoghurt" — these are now available at 1,000+ retail outlets across Hong Kong. Classy Kiss was founded in 1999 and has 3 plants – 2 in Tantou Industrial Zone and Datianyang Industrial Zone in Shenzhen (Guangdong Province) and 1 in Suzhou (Jiangsu Province).

Also recently, Guangzhou Honest Dairy (Group) Co., Ltd. (Honest Dairy) launched its yoghurt brand "Simple Love" in Hong Kong, distributed via Nowaday Group (Hong Kong) Ltd. Now it has 3 series ("Smooth Yoghurt", "0% Sucrose" and "Super Bottle") selling in 300+ supermarkets in Hong Kong. Honest Dairy was founded in 2014 and has 2 integrated dairy farming and processing sites in Chengde (Hebei Province) and Changsha (Hunan Province).

As price wars continue and demand remains weak in China, premium dairy brands are looking to export, with Hong Kong an obvious first port of call.

Le Moo Dairy Starts Trial Production Run in Hefei

Le Moo Dairy (Hefei) Co., Ltd. (Le Moo Dairy) provided an update on construction progress at its premium dairy plant which started trial runs in late Feb. The work is based on a budget of USD78.8 million (RMB560.0 million) and involves building 75,900 t/a capacity for high value-added dairy products in phases:

- Phase I: Build a plant/supporting facility over an area of 10,820 m², for concentrated yoghurt, cream, cheese and butter — now in trial runs, it is expected to generate USD16.2 million (RMB115.0 million) of sales annually once in full operation
- Phase II: Build 2 plants/supporting facility over an area of 15,847 m², for milk beverages and plant protein drinks — timeline unscheduled

Le Moo Dairy is a Sino-US JV registered in Sept. 2015, partly owned by Le Moo America LLC.

Nayuki Lowers Franchise Threshold

In 28 Feb., tea chain Nayuki Holdings Ltd. (Nayuki, Stock Code: 02150) – a significant user of dairy – updated its franchise policy for 2024, lowering the franchise fee to USD81,622 (RMB580,000) from USD140,728 (RMB1.0 million) per store, and its required store area to a minimum of 40 m². It also adds a USD8,444 (RMB60,000) marketing subsidy for franchisors signed in H1 2024.

Since it started franchising in July 2023, it has only opened 200+ franchised stores, compared with its 380 new directly operated stores opened up in Q3–Q4 2023. The initial franchise model seems to have held the company back by requiring franchisor stores to operate at the same standards as Nayuki's own stores (of 90–170 m²) – meaning higher costs in terms of site selection, renovation and equipment, so limiting the speed of store expansion. These less exacting franchise terms are meant to accelerate penetration into the lower-tier markets in particular.

Europe-Asia Dairy's Farm in Yunnan Province Starts Up

On 26 Feb., Yunnan Europe-Asia Dairy Co., Ltd. (Europe-Asia Dairy) opened up its new dairy farm in Heqing County, Dali, Yunnan Province with the arrival of 3,000 Holsteins imported from Australia.

This farm has been set up with an investment of USD85.0 million (RMB603.7 million); it is designed to take 10,417 head and produce 52,805 tonnes of milk per year. It is the 5th completed farm in the provincial government's "8+1 cattle farms demonstration programme" (referring to 8 dairy cow farm and 1 water buffalo farm, expected to involve 57,200 dairy cattle in total).

The first 4 completed are:

- Yunhe Farm in Xiangyun County, with 5,000 head and estimated milk output of 33,600 t/a
- Caojian Town Farm in Yunlong County, with 10,000 head and estimated milk output of 60,000 t/a
- Water Buffalo Farm in Nanjian County, with 2,000 head and estimated milk output of 2,000 t/a
- Shaxi Farm in Jianchuan County, with 3,000 head and estimated milk output of 15,000 t/a

Europe-Asia Dairy was founded in 2003, and has 4 dairy plants in operation, providing 500,000 t/a capacity overall for fresh/UHT milk, yoghurt, modified milk and milk beverages.

Mengniu Ups Stake in Milkground Food

On 4 March, Shanghai Milkground Food Tech Co., Ltd. (Milkground Food, Stock Code: 600882.SH) disclosed that its controlling shareholder, Inner Mongolia Mengniu Dairy (Group) Co., Ltd. (Mengniu, Stock Code: 2319.HK), has increased its stake in Milkground Food by 6,897,259 shares through the Shanghai Stock Exchange (SSE) from 1 Sept. 2023 to 1 March 2024. This increase represents 1.34% of Milkground Food's total shares, worth USD 17.6 million (RMB 124.9 million), taking Mengniu to 187,569,222 shares, equating to a 36.51% stake.

Milkground Food highlights that Mengniu's investment is a testament to confidence in its growth sustainability. Despite facing a slowdown in the kids' cheese stick business, Milkground Food still leads the retail cheese market and has been expanding its offerings to cheese snacks and household cheese lines (for use in bakery and coffee).

Solicitation on 2 New HMOs Varieties

On 13 March, the China National Center for Food Safety Risk Assessment (CFSA) solicited opinions on 2 new food nutrition enhancers — 3'-Sialyllactose sodium salt (3'-SL) and 6'-Sialyllactose sodium salt (6'-SL). The deadline for feedback is 13 April 2024.

Key details are:

- Application Scope: Infant formula, older infants and young children formula, and FSMP for infants
- Usage: 0.11-0.24 g/L for 3'-SL and 0.14-0.40 g/L for 6'-SL
- Caution: When 2'-Fucosyllactose (2'-FL), Lactose -N- neotetraose (LNnT), 3'-SL, 6'-SL, galacto-oligosaccharides (GOS), fructo-oligosaccharide (FOS), polyfructosan, raffinose, are used in combination, the total amount of these substances should not exceed 64.5 g/kg.

TABLE 11: Physicochemical Indicators of 3'-SL and 6'-SL

Item	Range			
	3'-Sialyllactose sodium salt (3'-SL)		6'-Sialyllactose sodium salt (6'-SL)	
Content	3'-SL (dry base), w/%	≥88.0	6'-SL (dry base), w/%	≥90.0
	3'-Sialyllactose and 6'-SL, w/%	≤5.0	6'-Sialyllactose and 6'-SL, w/%	≤5.0
N-Acetyl-d-neuraminic acid (Neu5Ac), w/%	≤1.5		≤2.0	
D-Lactose, w/%	≤0.5			
Water, w/%	≤10.5			
Sodium, mg/100g	≤4.2×10 ³			
Residual protein content, mg/kg	≤100			
Endotoxin, EU/mg	≤10			
Total arsenic content (As), mg/kg	≤0.1			
Lead (Pb), mg/kg	≤0.05			

Source: China National Center for Food Safety Risk Assessment (CFSA)

Royal Group Completes 32,000+ t/a Dairy Plant in Guangxi

On 15 March, Royal Group Co., Ltd. (Royal Group, Stock Code: 002329.SZ) completed final environmental checks on its dairy plant in Guangxi with over 32,000 t/a capacity, meaning the plant is good for operation.

Disclosed details of the project:

- Construction nature: New construction
- Total investment: USD7.0 million (RMB50.0 million), 1.0% (=USD70,364/RMB500,000) of which for environmental protection
- Location: Industrial Park of Laibin City, Guangxi Zhuang Autonomous Region
- Site area: 80,000 m²
- Main construction plan: New dairy product workshops, R&D testing centre and other supporting research facilities
- Designed capacity: 9,828 t/a fresh milk, 17,704.8 t/a chilled products (modified milk, chilled yoghurt and cultured milk), and 4,980 t/a plant-based protein drinks
- Construction period: Sept. 2021 to Oct. 2023

In addition, Royal Group is building a smart central dairy factory in Fuyang City, Anhui Province, with a 100,000 t/a designed capacity. It is also planning a farming project to support this production; but so far there is no update on the progress.

Chevalese Dairy Expects Growth in 2023 Figures

On 27 Feb., Inner Mongolia Chevalese Dairy Group Co., Ltd. (Chevalese Dairy) released its Preliminary Earnings Estimate for 2023:

- Revenue: USD176.8 million (RMB1.3 billion), up 32.55%
- Net profit attributable to the shareholders of the listed company: USD13.6 million (RMB96.8 million), up 35.22%
- Net profit attributable to equity shareholders of the listed company excl. extraordinary gains/losses: USD10.6 million (RMB75.2 million), up 10.01%

The company said increased milk production / sales drove its revenue growth, aided by rising production / sales of white granulated sugar; meanwhile, gross margins from its chilled yoghurt and sugar increased and a government subsidy for listed dairy companies contributed to the higher profitability during the reporting period.

Hengfu Lirong Greenlighted for New Dairy Farm

On 4th March, the Ecology and Environment Bureau of Hohhot City approved the environmental impact report submitted by Inner Mongolia Hengfu Lirong Animal Husbandry Co., Ltd. (Hengfu Lirong) for a 15,000 head dairy farm project. This will be the 3rd farm in the "green and smart dairy farming demonstration park" being set up by Inner Mongolia Yili Industrial Group Co., Ltd. (Yili, Stock Code: 600887). The park is designed to have 180,000 cows in total, although currently it has just 12,000 head. Established in Feb. 2023, Hengfu Lirong is a wholly-owned subsidiary of Inner Mongolia Hengfu Livestock Group Co., Ltd. (Hengfu Livestock) and supplies milk to Yili.

Project Overview:

- Construction nature: New construction
- Investment: USD63.3 million (RMB450 million), 0.88% (=USD0.6 million/RMB4.0 million) of which for environmental protection
- Location: Gucheng Town, Togtoh County, Hohhot City, Inner Mongolia Autonomous Region
- Site area: 80 hm²
- Construction content: Sheds for milking cows and heifers, and silage silo
- Farming scale: 15,000 cows – 7,500 milking cows, 1,800 calving/dry cows, 4,200 heifers, 1,500 calves
- Production: 78,000 t/a milk, 1,800 culled cows and 1,500 bulls
- Construction period: 3 years (commenced in May 2023)

Yili's park is intended to become the world's largest dairy farming base. The project started construction in June 2022 and is due to cover over 5,333 ha, based on an investment budget of about USD 1.1 billion (RMB 8.0 billion). Once in full operation, it should be able to produce over 1 million tonnes of milk annually. At present the farm No.1 (Tuoketuo County Youran Dairy Co., Ltd., with 12,000 cows) and farm No.6 (Jialihe Yixing (Inner Mongolia) Livestock Co., Ltd., with 36,000 cows) are under construction, while other planned projects are in the planning stage.

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