

Dairy Products China News

Guaranteed Exclusive Analysis

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Welcome to the October issue of Dairy Products China News.

Just prior to COP26 in Glasgow it seems fitting to note that this month's edition considers the range of factors pushing up the costs of dairying in China, climatic disruption and power rationing being prominent amongst these. This challenge for the dairy sector fits a wider picture: September's data showed China's overall costs of production rising at a record rate, +10.7% compared with the same time last year, driven by a huge rise in the price of coal. This represents the biggest leap since the National Bureau of Statistics data series commenced in October 1996, exceeding the 9% increase seen in August, which was itself a 13 year record. The inflationary picture is of course intimately linked to the ongoing global supply chain crisis, making it tricky to separate cause and effect – China is the source of almost 42% of all shipping containers coming to the US. From a business perspective, offshoring operations to China starts to look harder to justify in this operating environment. The impact of such problems on China's consumers' spending power over the medium- and longer-term is unlikely to be favourable.

From one COP to another – the first phase of the Convention on Biological Diversity (COP15), the biggest biodiversity conference in a decade, took place this month in Kunming. Yili has seized on this as an excellent platform for promoting its commitment to such causes alongside WWF and the China Green Foundation, a theme it will undoubtedly build on strongly in the future.

Meanwhile, China's 14th Five-Year Plan stresses the opportunities for increased cooperation in the domestic dairy sector and also internationally – the September announcement that H&H was raising its stake in France's Isigny-Sainte-Mère from 20% to 49.9% seems a good example of this in practice, and our analysis of the New Zealand dairy industry shows that Chinese investments in milk processing there now account for about 10% of milk production nationally. Such cooperation offers opportunities for China and for foreign partners, but creates concern for producers in such strong dairy sectors at the same time.

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Headlines

- ▶ Since the spring China's piglet price has been plunging, with listed pig businesses' Q1-Q3 figures reflecting a situation which throws future permeate demand into doubt.
- ▶ With the Sino-US trade friction in mind, China has worked hard to develop its local feed supply chain for dairying, but remains very import-dependent.
- ▶ The new Administrative Regulations on Registration of Overseas Producers of Imported Food (Degree No. 248) comes into effect on 1 Jan., 2022.
- ▶ The China Dairy Industry Association has recently highlighted the key areas for dairy industry development in China's 14th Five-Year Plan period (2021–2025).
- ▶ On 18 Oct., SAMR issued a Draft Administrative Measures on Foods for Special Medical Purposes, paving the way for tighter regulations in this category.
- ▶ On 12 Oct., Zhongdi Dairy announced the startup of its Yinan Smart Dairy Farm which represents an investment of USD167.2 million (RMB1.8 billion). The farm currently houses 13,000 dairy cows and is expected to grow to 20,000 producing 50,000 tonnes of milk per year.
- ▶ Qianjin Animal Husbandry sets up another dairy farm with Yantang Dairy involving a herd of up to 6,000 cows and a total investment of USD30.9+ million.
- ▶ On 12 Oct., Ausnutria suspended trading in its shares after a takeover bid rumoured to be from Yili.
- ▶ On 21 Oct., Bright Dairy made a bid of USD94.7 million (RMB612 million) for a 60% stake in Xiaoxiniu, a very well-known yoghurt brand in Qinghai Province.
- ▶ Milk prices eased marginally this month but are still up vs. last year as a number of mainly weather- and farm-related factors have been driving up costs for dairying.

Major Companies and Sites Mentioned in This Issue



Market Dynamics

A Challenge to China's Future Whey Permeate Demand

Summary: Since the spring China's piglet price has been plunging, with listed pig businesses' Q1-Q3 figures reflecting a situation which throws future permeate demand into doubt.

A fast recovering pig sector on the rebound from ASF has boosted local demand for whey permeate and sometimes whey powder. However, pig producers' profitability in China is now under extreme pressure in what has become a volatile market,

making it questionable whether this demand will last.

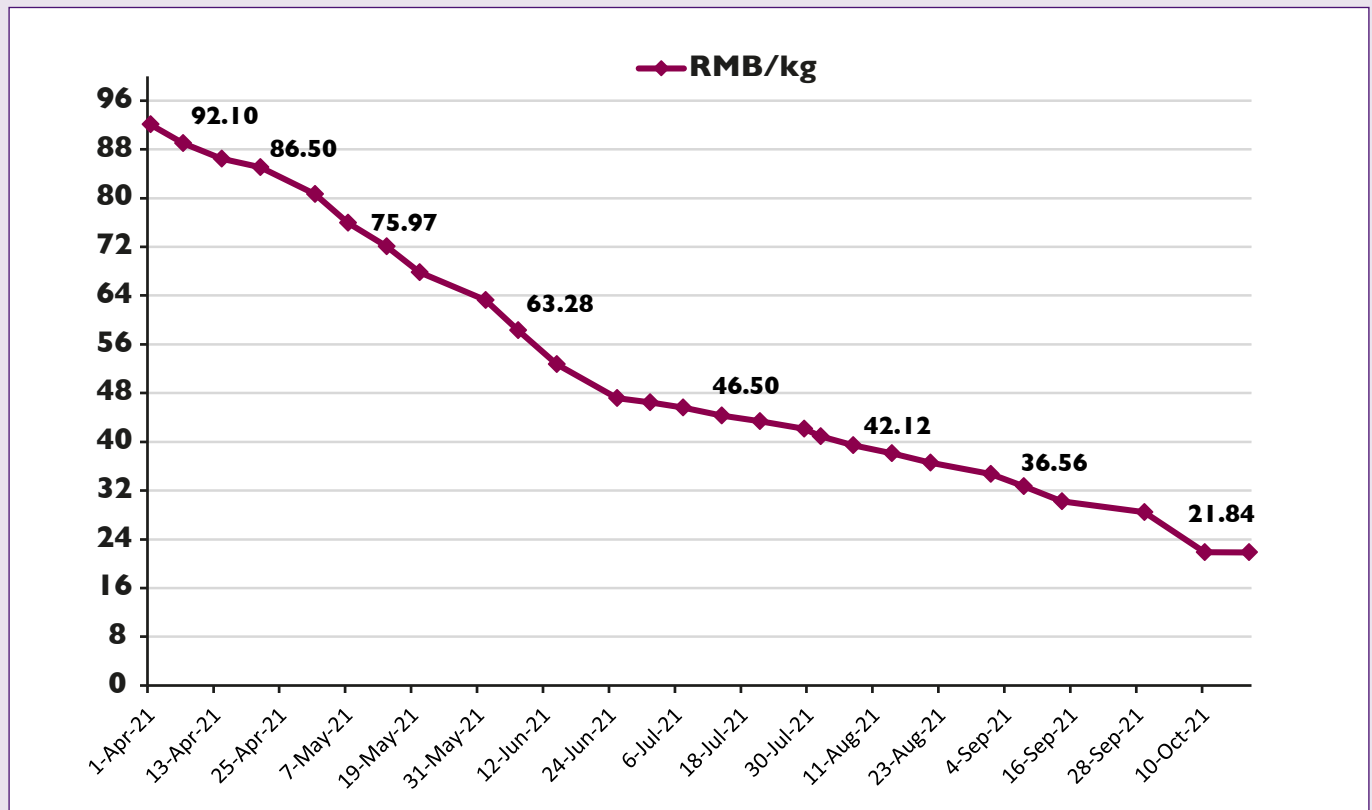
Surplus Pork

The local number of sows more than doubled from 19.13 million in Sept. 2019 to 45.64 million head by the end of this June, it was recently reported by CCTV-2, the local TV channel).

However, by this spring a pig surplus was evident, and the growing number

of sows for sale increased pork supply and led to a decline in piglet prices. The average wholesale price of pork in China has dropped significantly to USD3.0/kg (RMB19.36/kg on 15 Oct.) from USD7.2/kg(RMB46.71/kg in Jan.). Piglet prices have been falling for 6 months as well. The average price of piglets in the market was USD3.38/kg(RMB21.84/kg) from USD14.3/kg(RMB92.1/kg, in Apr.), a decrease of 4.23 times.

FIGURE I: Average Market Price of Piglets in China, April–Oct. 2021



Source: MARA

Industry Losses in Q1–Q3

Against this backdrop, most pig enterprises suffered drastically reduced revenues and profits over Q1–Q3. Compared with the other major pig breeders, Muyuan Foods stood out for its ability to restrict sliding

profitability, the result of its integrated business model that allowed it to cut costs to meet the difficult situation.

Market Forecast

Pig breeding is a highly cyclical industry but some breeders are

inherently weak businesses in terms of their management and controls, technical capabilities and financial resources, so a number are downscaling or even suspending production to limit their vulnerability

In the latest conference, an official from MARA said that the oversupply situation looks like remaining for the time being, and the expectation is for the number of sows to keep climbing this Q4 and during Q1 2022.

The government has been encouraging farmers to reduce their numbers of low-producing sows, and requiring local governments to take prompt actions to bring down pig production. However, the pig breeding cycle is as long as 14–21

months, so the weakening of prices is expected to continue for quite some time.

This may be negative for future whey permeate imports into China, especially as there has reportedly been a lot of inventory building during 2020 and the first half of 2021. A crucial factor in how these numbers hold up will be how far the leading commercial pig producers move to upgrade their piglet rations by including higher proportions of

permeate in their formulations – something the US industry has been working to encourage with training sessions for a number of years. This also comes at a time when edible applications for permeate can now be targeted – more actively this year than last year under the worst of the pandemic – although how fast the take-up by food manufacturers will be remains very much open to question.

TABLE I: Profitability Trends for Major Listed Pig Enterprises in Q1-Q3 2021, USD million

Company	Net Profit Q1-Q3 (estimates)	Net Profit Q3 (estimates)	YoY change
Muyuan Foods Co., Ltd. (Stock Code: 002714)	1,315.7 – 1,393.1	-77.4 – -154.8	-57.12% – -59.5%
Tech-Bank Food Co., Ltd. (Stock Code: 002124)	-417.9 – -448.9	-317.3 – -348.3	-195.6% – -202.7%
New Hope Liuhe Co., Ltd. (Stock Code: 000876)	-928.0 – -989.9	-399.4 – -461.3	-217.9% – -225.8%
Jiangxi Zhengbang Technology Co., Ltd. (Stock Code: 002157)	-1,075.8 – -1,230.6	-854.4 – -1,009.2	-227.9% – -246.3%
Wens Foodstuff Group Co., Ltd. (Stock Code: 300498)	-1,431.8 – -1,509.2	-1,044.8 – -1,122.2	-212% – -218%
Tangrenshen Group Co., Ltd. (Stock Code: 002567)	-60.4 – -63.5	-87.6 – -90.7	-155.2% – -158%

Source: Financial reports

Dairy Feed Situation

Summary: *With the Sino-US trade friction in mind, China has worked hard to develop its local feed supply chain for dairying, but remains very import-dependent.*

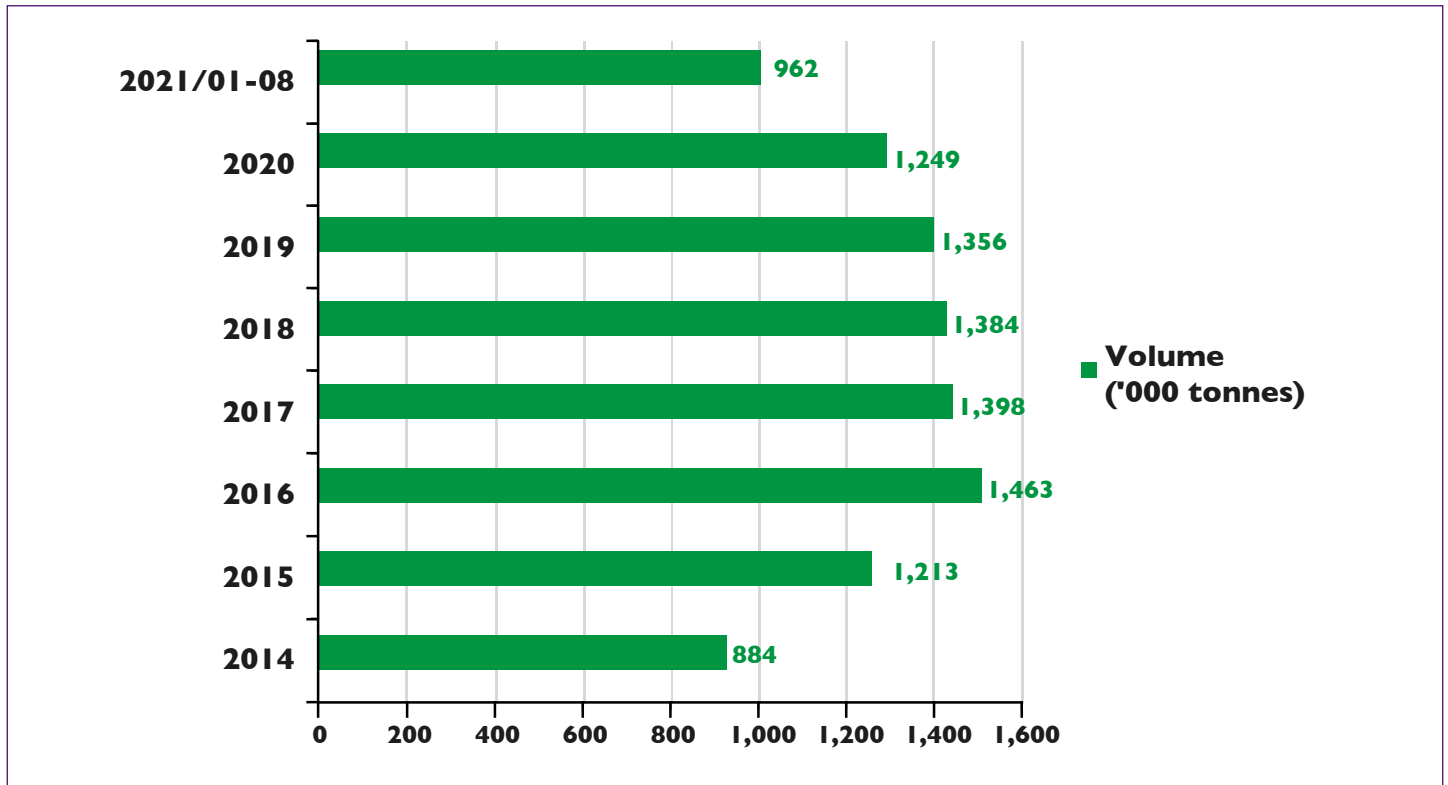
The long-running trade dispute between China and the United States casts a shadow over many areas, but the 17 Sept. announcement by the Chinese government that it would continue to extend tariff exemptions for 81 US products for the 5th time since the first on 11 Sept., 2019 was undoubtedly a

relief for whey permeate and alfalfa suppliers in the US, and farmers in China. This extension will last until until 16 April, 2022.

China's Fodder Imports

- YTD Aug. 2021, imports of alfalfa hay to China reached 962,000 tonnes, up by 10.7% YoY
- In 2020, the import volume was 1,359,100 tonnes, 86.47% (=1,080,000 tonnes) of which came from the US

FIGURE 2: China's Alfalfa Imports, 2014-Aug. 2021



Source: China Customs

TABLE 2: Trends for Commercial Alfalfa in China, 2018 to 2020

Year	Planting area, ha	Production, '000 tonnes
2018	433,333.3	3,556.9
2019	533,336.0	3,788.0
2020	633,336.5	4,000.0

Source: CAHA

Domestic Feed Industry

Over 40% of the feed given to China's dairy cows comprises coarse feeds such as fresh grass (*Pennisetum Giganteum*), hay, crop straws (including silage corn), kernels and alfalfa hay. In recent years, the rapid modernisation of commercial fodder growing and production has been particularly evident in the main production areas of Inner Mongolia, Gansu and Ningxia provinces.

- In 2008, the planting area of alfalfa was 6,700 ha and output just 100,000 tonnes
- However, in 2012, the national policy of "Promoting the Revitalization of the Dairy Industry" started, offering annual subsidies on 33,000-67,000 ha of alfalfa planting area
- So by 2020, the total planting area was 633,000 ha (367,000 ha with government subsidies and 267,000

ha being privately-owned by farmers or companies) and production was 4 million tonnes – within 12 years, the planting area has grown 55 times and production 40 times!

However, 4 aspects in particular still required the state's attention:

- Lack of premium quality domestic alfalfa
- Weak connections between fodder growing and dairy farming
- Low soil quality for fodder and weak infrastructure system
- Underdeveloped technologies for large-scale production and a paucity of talent in the industry

Despite the topline numbers, therefore, there is much to do if China wants to create a firm basis for dairy industry development.

Governmental Direction

Changes in Administrative Regulations on the Registration of Overseas Producer of Imported Food

Summary: *The new Administrative Regulations on Registration of Overseas Producer of Imported Food (Degree No. 248) comes into effect on 1 Jan., 2022.*

On 1 Jan., 2022, the new Administrative Regulations on Registration of Overseas Producer of Imported Food (Decree No. 248) – passed on 12 March and published on 12 April, 2021 by the General Administration of Customs (GACC) – will take effect.

The new regulations replace the Administrative Measures for Registration of Overseas Producers of Imported Food (Degree No. 145) of 2012 and the revised version (Decree No. 243) of 2018.

They aim to improve registration procedures for overseas food exporters and clarify the accountability of the involved parties. The main adjustments are as follows.

Product Scope

All food exporters to China need to register – whereas Decrees No. 145 & No. 243 only cover exporters of meat/meat products/sausage casings, aquatic products, dairy products, bird nest products and bee products.

Methods of Registration

Two methods of registration with the GACC are offered:

- Recommendation by the exporter's country's competent authority for registration: this is required for exporters of dairy and a wide range of other food products
- Self-registration: The exporters must also register directly with the GACC, either on their own behalf or via a private agent

Evaluation and Review of Applications for Registration

Each application is to be evaluated by a panel of at least 2 members, which is organized by the GACC or by approved agencies. Evaluation takes into account documentation and video and/or on-site inspections, depending on the potential need for social distancing since the outbreak of COVID-19.

Application Materials

- New required documents to be provided: evaluation and review report, and verification paper of the company identification, conducted by the competent authority in the exporter's country/region
- For exporters that have been examined and approved by their local authorities in this way, the new regulations no longer require the provision of other documentation (on issues such as animal and plant epidemic situation, hygiene etc)

Application Materials for Registration Change or Renewal

Registration change:

If an exporter's registration information changes while the registration is valid, it should submit an application for a change to the GACC:

- A table that shows the original and changed information
- Supporting materials related to the changed information

The GACC then changes the registration information if acceptable.

If there are any changes in the exporter's production site, legal representative or registration number they need to re-apply for registration, and such

changes will automatically make the original China registration invalid.

Registration renewal:

According to the new requirements, application materials for registration renewal should include:

- Application for renewal of registration
- Statement promising to continuously conform to the registration requirements

GACC renewals will extend the valid period of registration for five years.

Registration Number

Registered exporters must print the Chinese registration number or the registration number from the competent authority in their own country/region on the products exported to China.

Term of Validity

The new term of 5 years (extended from the previous 4 years) is the same as the Food Production Certificate in China.

Foreign Competent Authority

GACC only recognises the official department of food safety and sanitary inspection in the exporter's country/region as the competent authority – any formerly authorised institutions and industrial organizations are no longer sanctioned.

Others

The foreign competent authority should cooperate with the GACC in effective monitoring of the exporters of foods to China and urge the registered companies to act in accordance with the new requirements.

If exporters detect any non-conforming products during their export procedures, prompt action must be taken, suspending export to China and immediately putting in place measures for rectification of the problem.

China Dairy Industry & the "14th Five-Year Plan"

Summary: *The China Dairy Industry Association has recently highlighted the key areas for dairy industry development in China's 14th Five-Year Plan period (2021–2025).*

On 10–12 Sept., the 27th annual meeting of the China Dairy Industry Association (CDIA) was held in Hangzhou. The event centred on sustainable dairy industry development based on scientific and green technological innovation. Following this, on 22 Sept., the CDIA published the *Dairy Industry Summary for the 13th Five-Year Plan (2016–2020) and Development Trend for the 14th Five-Year Plan (2021–2025)* on its official Wechat account.

Six major aspects are highlighted for industrywide efforts during 2021–2025.

Dairy Breeding

- Develop dairy breeding scale compatible with local environmental resources, for example
 - Modern Farming (Group) Co., Ltd. has commenced construction of its first large-scale dairy farm (5,000 cows) in Xinjiang Uygur Autonomous Region recently;
 - Bright Dairy & Food Co., Ltd. (Bright Dairy, Stock Code: 600597) in Shanghai, has invested to build new farms in 3 Provinces – Anhui (East China), Ningxia (Northwest China) and Heilongjiang (Northeast China)
- Support the establishment and expansion of mid-sized family and cooperative farms
- Use forage from nearby suppliers to lower breeding costs and so raw milk prices
- Locate farms closer to the areas of stronger demand to shorten supply chains (currently, most dairy demand in southern / eastern China is supplied by farms in the northern / western regions)

Raw Milk Source

- Introduce high-yield and premium dairy breeds, mainly Holsteins and others such as Jerseys, water buffalo, camels and dairy goat
- Urge relevant state departments to expand the approved list of dairy import origins and subsidise dairy processors to build their own farms to drive up national milk supply

Domestic Cooperation

There have been several recent examples of cooperation between producers and processors:

- In Aug. 2021, the processors New Hope Dairy Holdings Co., Ltd. (New Hope Dairy, Stock Code: 002946), Beihai Ranch (Beijing) Dairy Co., Ltd. and Guangzhou Honest Dairy (Group) Co., Ltd. (Simple Love brand) all invested in minority stakes in Greenfields
- The cooperation between Qianjin Dairy and Guangdong Yantang Dairy Co., Ltd. (Yantang Dairy, Stock Code: 002732) to invest over USD30.95 million (RMB200 million) in a dairy farm – the former a producer in Gansu Province (Northwest China), the latter a leading processor in South China with a major emerging market on its doorstep in the Greater Bay Area market, including Guangzhou-Hong Kong-Macao

International Collaboration

Looking further afield, dairy firms are encouraged to leverage benefits from the "Belt and Road Initiative" and seek out international collaboration opportunities.

Good examples are provided by Mengniu's initiatives:

- Cooperating with Coca-Cola on its fresh milk line
- Cooperating with Shanghai Disney Resort and Universal Beijing Resort for its ice cream business
- Joining the climate initiative PDNZ (Pathways to Dairy Net Zero) in line with the growing priority being placed on green development of China's dairy industry

Dairy Product Mix

A more diverse product mix with improved production technologies is recommended:

- For integrated processors with a focus on powdered milk products, the "ready to feed" milk sector is recommended for further development
- For IMF enterprises, other types of products are suggested, such as formula aimed at specific segments such as children, pregnant women, nursing mothers, the elderly etc. (this year China has seen a surge in registrations of special formula including "Beishuxiao" the first lactose free infant FSMP, applied for by China Feihe Ltd. in April)
- Powder producers are also encouraged to consider products in segments that are very import dependent – examples given including whipping cream, milk/whey proteins, lactose etc – with noted interest in products made by ultra-filtration

Draft of Administrative Measures on FSMP (Revision) Issued

Summary: *On 18 Oct., SAMR issued a Draft Administrative Measures on Foods for Special Medical Purposes, paving the way for tighter regulations in this category.*

On 18 Oct., SAMR issued a *Draft Administrative Measures on Food for Special Medical Purpose* for public

feedback, as it prepares to replace the 2016 version.

Key changes involve the following areas of content:

- Stricter standards for product assessment and registration
- Monitoring measures and rules

on company accountability and punishment are further clarified and made stricter

- Provisions which simply repeat content in the *Food Safety Law of China and the National Food Safety Standards* are deleted

This is timely, given the category's growth. Between February and October the number of registered foods for special medical purposes (FSMP) rose from 58 to 78, an increase of 25.7%.

Such registrations are classified into:

- Infant Formulae FSMP under Food Category No. 2802, for products from birth to 12 months, comprising lactose-free/low lactose formula, partial/deep hydrolysed protein formula (pHF/eHF), premature/underweight infant formula, amino acid formula (AAF) and formula for amino acid metabolic disorder
- Other FSMPs under Food Category No. 2801, dividing into full-nutrition and non-full-nutrition FSMPs

China requires FSMPs to be approved by the State Administration for Market Regulation (SAMR), and registered with the National Medical Products Administration (NMPA, previously known as China Food and Drug Administration) before launch. All FSMP manufacturers must submit related application materials for registration.

Registration Flow in 3 Stages

- **Application and acceptance:** Applicants should submit all the required materials to SAMR; if it's found by either party that the materials are incomplete, they should be remedied in time
- **Assessment:** SAMR performs examination and evaluation on the submitted materials; on-site spot check on products are conducted if necessary
 - Processing period: no less than 25 days — 5 working days for acceptance and 20 working days for material review and decision-making — excluding time for inspection of production techniques, sampling and inspection, on-site spot check and re-examination
- **Result delivery and issue:**
 - If the application is approved, product registration certificates are issued by SAMR within 10 working days
 - If materials are rejected, applicants are informed and can seek a review or file an appeal
 - In addition, the whole registration status and decision letter are available on SAMR's website

According to SAMR, registrations have developed as follows:

- By 13 May, 2020 – 48 registered products (30 formulae for infants of 0-12 months and 18 for children and adults)
- By 10 Feb., 2021, 58 registered products from 15 Chinese manufacturers (according to the NMPA), of which 32 were products for infants
- By 5 Oct, 2021, 100 registration decision letters were posted on SAMR's website (39 for infants, 61 for children and adults); at this point the number of FSMP registrations had reached 78

It is notable that over the period from May 2020 to Oct. 2021 there were only 9 new infant FSMP permits approved (to 8 dairy processors); from 30 applications over this period, 21 were products for children and adults.

It is also significant that the applications made over this period included applications from 14 Chinese pharmaceutical enterprises, which have advantages over their dairy industry counterparts technical capabilities and equipment, and also in terms of their strong experience in hospital sales.

TABLE 3: New Registrations of Infant FSMPs since May 2020

Registration date	Applicant	Product name
2020/5/25	Nestlé Nederland B.V.	Alfamino (恩敏舒) Amino Acid Infant Formula for Special Medical Purpose
2020/5/25	Hangzhou Beingmate Mother & Baby Nutrition Co., Ltd.	Shulile (舒力乐) Partial Hydrolysed Protein Infant Formula for Special Medical Purpose
2021/4/25	Shanxi Yashili Dairy Co., Ltd.	Aikang Shuyi (爱康舒益) Partial Hydrolysed Protein Infant Formula for Special Medical Purpose
2021/4/25	Beian Yeeper Dairy Co., Ltd.	Baoansu (葆安素) Lactose-free Infant Formula for Special Medical Purpose
		Zhen&Ai (甄而蔼) Premature/underweight Infant Formula for Special Medical Purpose
2021/4/25	Ausnutria Dairy Corp Ltd.	Ausnutria (澳优) Lactose-free Infant Formula for Special Medical Purpose
2021/4/25	Heilongjiang Feihe Dairy Co., Ltd.	Beishuxiao (蓓舒消) Lactose-free Infant Formula for Special Medical Purpose
2021/4/25	Wissun International Nutrition Group Co., Ltd.	Anil (安尼尔) Lactose-free Infant Formula for Special Medical Purpose
2021/6/18	Tianjin Aumix Dairy Co., Ltd.	Linuo Kangvei (力诺康贝) Partial Hydrolysed Protein Infant Formula for Special Medical Purpose

Source: SAMR

Company Dynamics

China Zhongdi's Smart Dairy Farm Starts Milking

Summary: On 12 Oct., Zhongdi Dairy announced the startup of its Yinan Smart Dairy Farm which represents an investment of USD167.2 million (RMB1.8 billion). The farm currently houses 13,000 dairy cows and is expected to grow to 20,000 producing 50,000 tonnes of milk per year.

On 12 Oct., 2021, China Zhongdi Dairy Holdings Company Limited (Zhongdi Dairy, Stock Code: HK.01492) announced that its Yinan Smart Dairy Farm is built and ready for milking.

Dairy Farm at a glance:

- Total investment: USD167.2 million (RMB1.8 billion), including annual land lease fee of USD0.2 million (RMB0.97 million) to local government
- Construction period: Aug. 2019– Aug. 2021
- Location: Yinan County, Linyi City, Shandong Province
- Herd size: currently 13,000 dairy cow (designed target is 20,000 head)
- Farm land area: 800 ha in total
 - Cattle housing: 23.5 ha
 - Other farm buildings (offices, implement shed, godown for fodder, etc.): 26.7 ha

- Land for fodder cultivation: 64.7 ha
- Equipment: The site includes 2 liquid dairy production lines, along with 190 sets of milk clarifiers, filling machines, etc.
- Production schedule:
 - Designed raw milk production: 50,000 t/a of raw milk
 - Dairy production: 3,036,000 t/a of liquid dairy products (presumably the balance made up by milk powders)
- Expected annual revenue: USD31 million (RMB200 million)

Work such as land preparation and management and safety engineering in the 64.7 ha of fodder cultivation area are contracted to the local farming cooperatives, employing 100+ farmer households. Additionally, Zhongdi Dairy has cooperated with 900+ nearby farmer households to develop planting area for alfalfa and silage corn – this accounts for 1,133.3 ha and has provided total income of USD0.6+ million (RMB4.0+ million) for these farmers.

This is the company's 1st operational farm in Yimeng Mountain area, Shandong Province, and is also one of the sub-projects in the large-scale animal husbandry and dairy project

integrating dairy cow farming, milking and dairy processing. The overall project involves an investment of USD773.9 million (RMB5.0 billion) for constructing and operating 5 farms, 1 dairy processing plant, 1 feed mill, 1 IMF production plant and 1 pet food production plant.

Zhongdi Dairy:

The company mainly focuses on two business sectors:

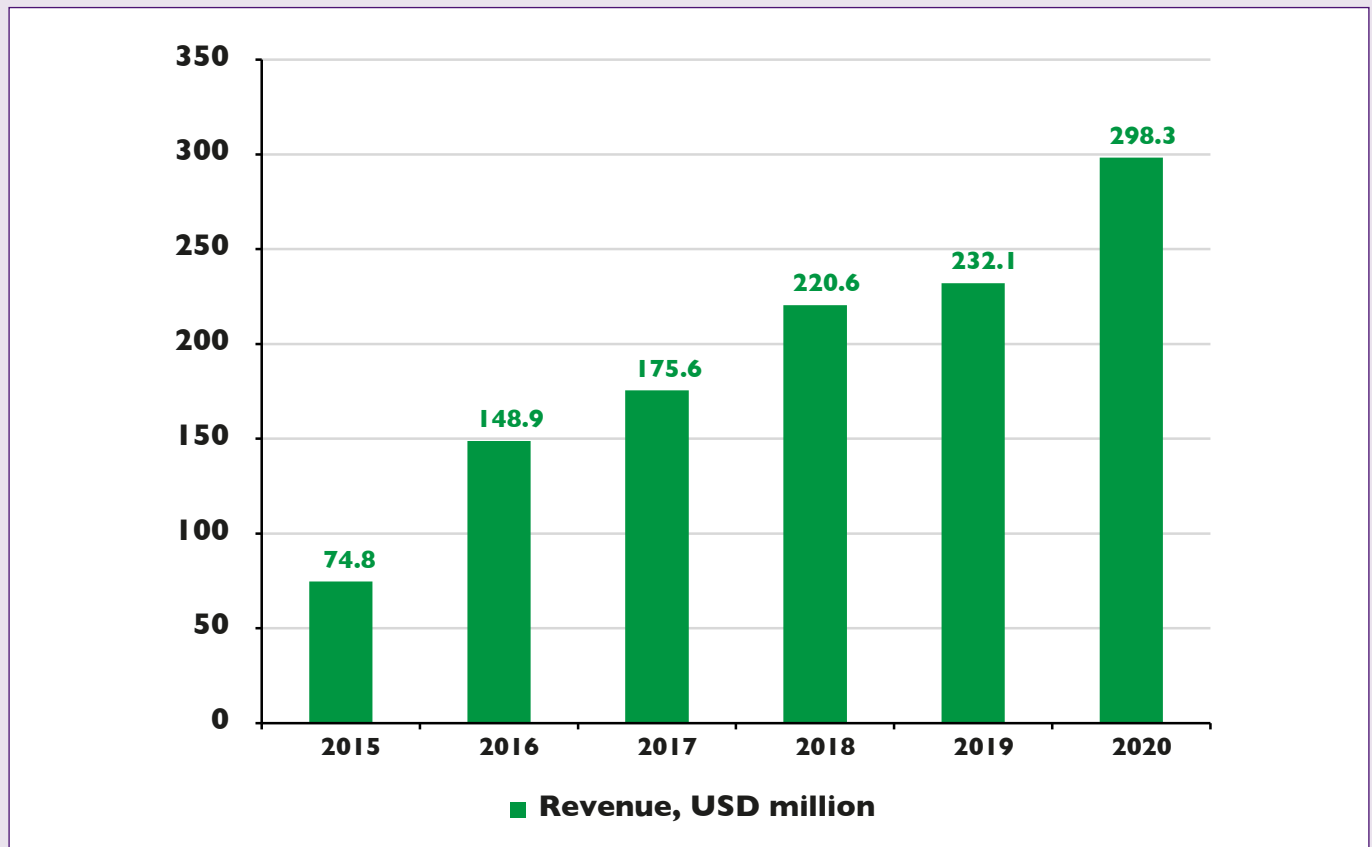
- Dairy Breeding and Farming: Production and sales of high-quality raw milk, and breeding, farming and sale of dairy cows
- Importing / Trading: Buying and selling of premium breeds of dairy cows and other livestock, and alfalfa and other animal husbandry products

On 28 June, 2021, it accepted a takeover bid from Wholesome Harvest Ltd., a subsidiary of Inner Mongolia Yili Industrial Group Co., Ltd. After this it delisted its shares from the Hongkong Stock Exchange.

Financial performance in 2020:

- Revenue: USD298.3 million (RMB1.9 billion), up by 28.54%
- Profits attributable to shareholders of the parent company: USD36.7 million (RMB237.0 million), up by 126.73%

FIGURE 3: Revenue of Zhongdi Dairy, 2015–2020



Source: Zhongdi Dairy

Qianjin Animal Husbandry Builds New Dairy Farm

Summary: Qianjin Animal Husbandry sets up another dairy farm with Yantang Dairy involving a herd of up to 6,000 cows and a total investment of USD30.9+ million.

On 28 Sept., Gansu Qianjin Animal Husbandry Science and Technology Co., Ltd. (Qianjin Animal Husbandry) announced its cooperation in the construction of a dairy farm with Guangdong Yantang Dairy Co., Ltd. (Yantang Dairy, Stock Code: 002732).

Before this JV, it has established stable supply partnerships with many well-known dairy processors such as Bright Dairy & Food Co., Ltd. (Stock Code: 600597), Sichuan Jule Food Co., Ltd., Guiyang Sanny Dairy Co., Ltd., Chongqing Tianyou Dairy Co., Ltd., Xinjiang Tianrun Dairy Co., Ltd. (Stock Code: 600419), Shenzhen Chengguang Dairy Co., Ltd. and Fujian Changfu Dairy Co., Ltd.

Overview:

- Farm size: 6,000 cows
- Total investment: USD30.9+ million (RMB200+ million)
- Location: Gaotai County, Zhangye City, Gansu Province
- Scheduled start up: 2022

- Expected milk production: 33,200 t/a

Target market: The milk from the farm will go to Yantang Dairy's products for selling into the market of the Guangdong-Hong Kong-Macao Greater Bay Area (a city cluster comprising Hong Kong, Macao and 9 cities along the Pearl River Delta (Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Zhuhai, Huizhou, Jiangmen and Zhaoqing).

Qianjin Animal Husbandry

Established in 2008, Qianjin Animal Husbandry is a major dairying business:

- Herd size: 45,000 cows in 18 dairy farms, mainly North American breeds and Holsteins
- Milk production capacity: 600+ tonnes premium raw milk per day
- Forage production area: Total 5,666.7 ha (85,000 mu) in Gansu Province including 2,333.3 ha (35,000 mu) in Ganzhou District and 3,333.3 (50,000 mu) in Gaotai County
- Workforce: 1,200+ personnel
- Total asset: USD325.1 million (RMB2.1 billion)

- In addition, the company has 80+ refrigerated milk tankers, a dairy plant with daily processing capacity of 150 tonnes products, and a feed plant with 100,000 t/a production capacity

Yantang Dairy

Established in 1956, Yantang Dairy is a leading dairy manufacturer in Guangdong Province with its business focus on the Southern China.

- Business performance in H1 2021:
 - Revenue: USD146.7 million (RMB947.6 million), up by 34.88% YoY
 - Net profit: USD17.3 million (RMB111.47 million), up by 85.43% YoY
- Major business: fresh milk, UHT milk, yoghurt, milk beverages, LAB drinks, ice cream, etc.

TABLE 4: Key Figures, Yantang Dairy, H1 2021

Product	Proportion of total revenue	Revenue, USD million	YoY change	Cost, USD million	Margins	YoY change
UHT dairy	37.67%	55.3	47.51%	44.0	20.41%	-7.07%
LAB drinks	36.62%	53.7	30.08%	31.5	41.42%	-5.65%
Milk beverages	24.05%	35.3	24.92%	24.3	31.04%	-0.22%
Others	0.99%	1.5	110.34%	0.8	42.54%	2.48%
Ice cream	0.66%	1.0	-8.26%	1.0	-1.51%	-0.55%
Total		146.7	34.88%	101.6	30.74%	-13.9%

Source: Yantang Dairy

Ausnutria Suspends Trading Whilst Under Offer

Summary: On 12 Oct., Ausnutria suspended trading in its shares after a takeover bid rumoured to be from Yili.

Right before the opening of market in 12 Oct., Ausnutria Dairy Corp Ltd. (Ausnutria, Stock Code: HK.01717) suspended its trading as required by the Hongkong Stock Exchange after market traders claimed that Inner Mongolia Yili Industrial Group Co., Ltd. (Yili, Stock Code: 600887) had made an offer for the company. After a period of silence, on 27 Oct., Yili confirmed its bid for a 34.33% stake in Ausnutria was worth USD765.4 million (HKD6.2 billion). This offer has been made through Yili's wholly-owned subsidiary Golden Port Trading (Hong Kong) Co Ltd. and comprises

- 30.89% of Ausnutria previously held by Citagri Easter Ltd., Center Ventures, BioLegend, Dutch Dairy Investments HK Ltd, Dutch Dairy Investments HK Ltd, Dutch Dairy Investments B.V. – share equity transfer – USD659.0 million (HKD5.341 billion)
- 3.44 % of Ausnutria – cash – USD112 million (HKD0.9054 billion)

On 24 Sept., Ausnutria's share price took a dive, at one point hitting USD0.8 (HKD6.52), its lowest point over the last 60 days. However, it rallied and has been rising since news of the possible deal spread, to USD1.1 (HK8.85)

before the suspension (USD1=HKD8.1, dated 12 Oct, Hexun.com). It's nearly up by 30%.

Cooperation at the Top?

Ausnutria is ranked 5th amongst the leading IMF brands in China, following China Feihe, Wyeth (Nestlé), Danone and Junlebao. It was the first IMF firm listed on the Hongkong Stock Exchange but selling internationally, into markets including Europe, Asia (including China, South Korea, Cambodia), Africa and the Americas (including the US, Mexico and Brazil).

Yili is best known for its liquid dairy products but has an emerging IMF – the Yili Golden Collar Crown brand (or Yili Jinguanning) contains sub-series like "Zhenhu", "Seine Mouiller", "Ruihu" and "Youzi lamb".

If the deal is finalised, Yili's scale in the category will obviously receive a further boost, likely to the detriment of some overseas brands on the market.

On the other hand, most of Ausnutria's products are currently sourced and manufactured outside China – it has no in-market operations or milk supply lines, despite having 10 dairy plants, 7 R&D centres and 20% of its staff around the world. This suggests that it would benefit strongly from sharing Yili's business resources – especially

the multi-dimensional distribution channels – as well as Yili's financial strength and capabilities in competing with international IMF brands.

Ausnutria's revenue split in H1, 2021 was as follows:

- Cow milk formula brands ("Hyproca 1897", "Allnutria" and "Puredo", etc.): 54.9%
- Goat milk formula brand ("Kabrita"): 39.5%
- Others (mainly contracted IMF production and nutrition): 12.4%

(For more detail info, see the article "Ausnutria Marks Surges in Revenue and Net Profit" in the issue for August this year.)

To date, Ausnutria has made investments in 11 Chinese companies:

- A new one, announced on 18 Oct., for 70% of Aunulife Biotechnology Co., Ltd. registered with USD7.7 million (RMB50 million), which supplies Aunulife probiotics for Ausnutria's "Kabrita" brand targeting customers' interest in intestinal health and immunity enhancement
- Others such as Ausnutria Dairy (Shanghai) Co., Ltd., Changsha Aner Nutrition Co., Ltd., Allnutria Biotechnology Co., Ltd. and Meinaduo Health Service (Changsha) Co., Ltd. etc.

Bright Dairy Bids for Xiaoxiniu

Summary: On 21 Oct., Bright Dairy made a bid of USD94.7 million (RMB612 million) for a 60% stake in Xiaoxiniu, a very well-known yoghurt brand in Qinghai Province.

Xiaoxiniu

Xiaoxiniu is well-known in Qinghai Province for its Old Yoghurt range of set yoghurt, featuring locally-popular flavours. On 19 Oct., 2015, it went public on the NEEQ (the National Equities Exchange and Quotations, also known as the New Third Board), only to delist on 29 Dec., 2017 after revising its business development strategy.

Company Basic Info:

- Registered capital: USD46.4 million (RMB300 million)
- Date of establishment: 13 Sept., 2002
- Location: Ningxia Hui Autonomous Region
- Milk supply: 3 farms including the Ningwu Dairy Farm now under construction in Ningwu City

- Current herd size: 5,140 cows

Key business data is as follows:

Jan.-April 2021:

- Revenue: USD37.3 million (RMB241 million)
- Net profit: USD4.0 million (RMB25.6 million)

Full 2020:

- Revenue: USD89.0 million (RMB575.0 million)
- Net profit: USD10.8 million (RMB69.7 million)

Bright Dairy

Early in 9 Sept., 2021, Bright Dairy proposed a private placement for up to USD298.7million (RMB1.93 billion) and received approval from China Securities Regulatory Commission (CSRC).

The funds will be put into construction projects of farms in the eastern, central, northeast and northwest China.

- National Core Dairy Cow Breeding Farm also known as Shanghai Jinshan Dairy Farm (upgrade and expansion project)
- Suixi Demonstration Dairy Farm with 12,000 cows in Anhui Province
- Funan Demonstration Dairy Farm with 7,000 cows in Anhui Province
- Hachuan Demonstration Dairy Farm with 2,000 cows in Heilongjiang Province (phase II project)
- Zhongwei Demonstration Dairy Farm with 10,000 cows in the Ningxia Hui Autonomous Region

Qinghai Province is northwest of Sichuan Province and north east of Tibet. The acquisition of Xiaoxiniu will therefore extend Bright Dairy's dairying activities into West China, adding to its current 28 large-scale farms (100+ cows) and combined 90,000 cow herd. Given its national ambitions, this perhaps suggests that it may also be planning moves further into China's southwest and south regions.

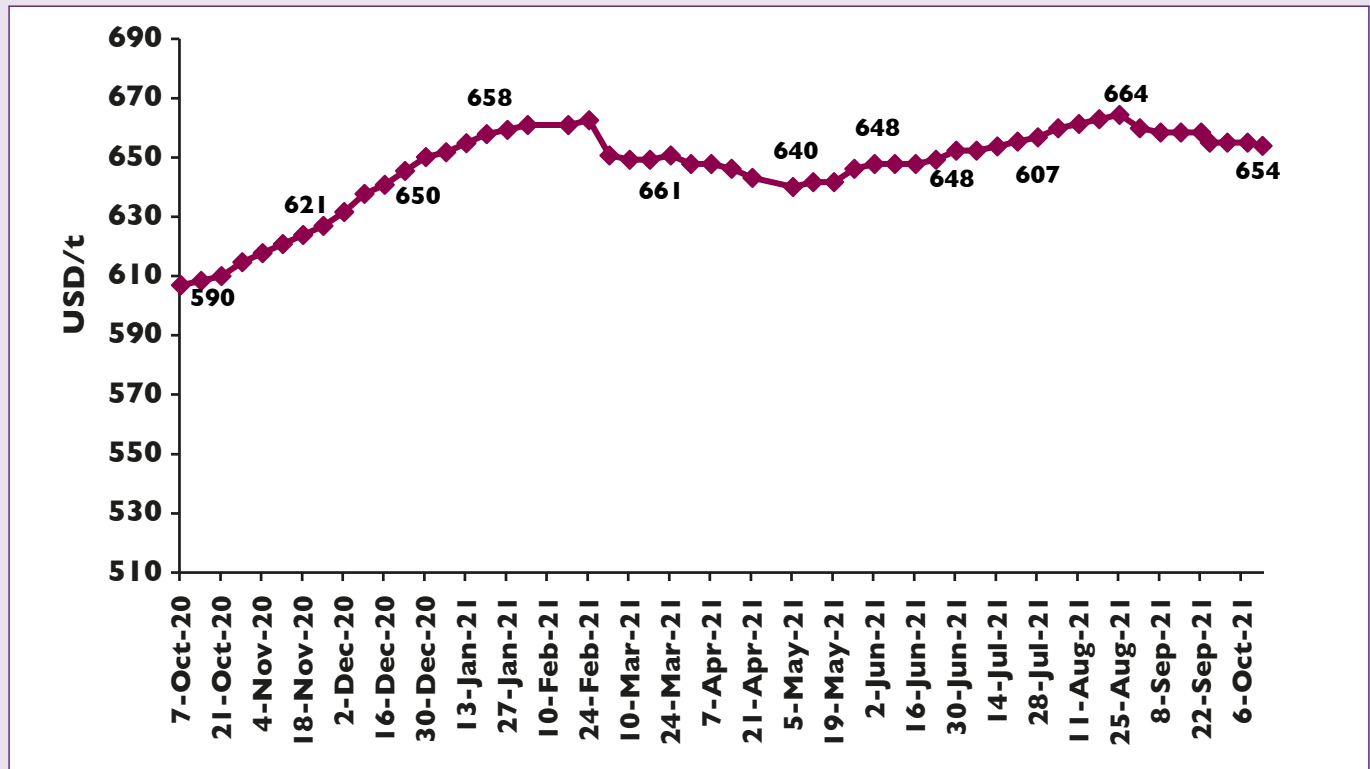
Raw Milk Supply

Dairy Farming Costs Escalating

Summary: Milk prices eased marginally this month but are still up vs. last year as a number of mainly weather- and farm-related factors have been driving up costs for dairying.

According to the Ministry of Agriculture and Rural Affairs (MARA), China's raw milk price averaged at USD654/t (RMB4,310/t) in Oct., down slightly from the last monthly average but still up 9.7% YoY.

FIGURE 4: Trends in China's Raw Milk Price, Oct. 2020–Oct. 2021



Source: MARA

Note: Monitoring data from 500 county markets and milk collection stations across 10 major dairy provinces, as of 20 Oct.)

Feed Situation

Consumption of silage per milking dairy cow is approximately 22.5 kg per day or 4.5 tonnes for 200 days in a year.

In China, corn silage is preferred for dairy animals in winter, and is usually collected in the North, West and Central regions of the country during Sept.-Oct. At this time its dry matter content is around 29%-36%, a level considered ideal for producing milk with higher protein levels. After being harvested and crushed, it is transported to farms where it is compressed, sealed, fermented and stored as winter rations for cows and sheep.

This year, however, during the period traditionally best for silage corn harvesting, heavy rainfall hit the central and northern regions, especially Hebei, Shandong, Henan and Shanxi provinces (major local silage-growing provinces).

Problems have arisen after this rainfall:

- Corn silage has been left out and become dryer as farmers' access to the fields was limited by waterlogged and muddy roads
- This corn silage has lost most of its starch content and as a result become more susceptible to pests and diseases like rust infestation and mold (due to the insufficient sunshine / higher rainfall)

- Farmers have been buying in baled silage as an alternative, which is easy to store and highly nutritional, but expensive
- If this weather persists, it will certainly limit the sowing of wheat (another coarse fodder commonly used in the northern farms) – so market demand for fodders like corn silage and wheat silage will shoot up

By contrast, in China's western and southwest silage-growing regions, silage corn availability and quality are good. Local growers note a significant rise in silage corn prices this year, and these now average USD116.1/t (RMB750/t) nationally.

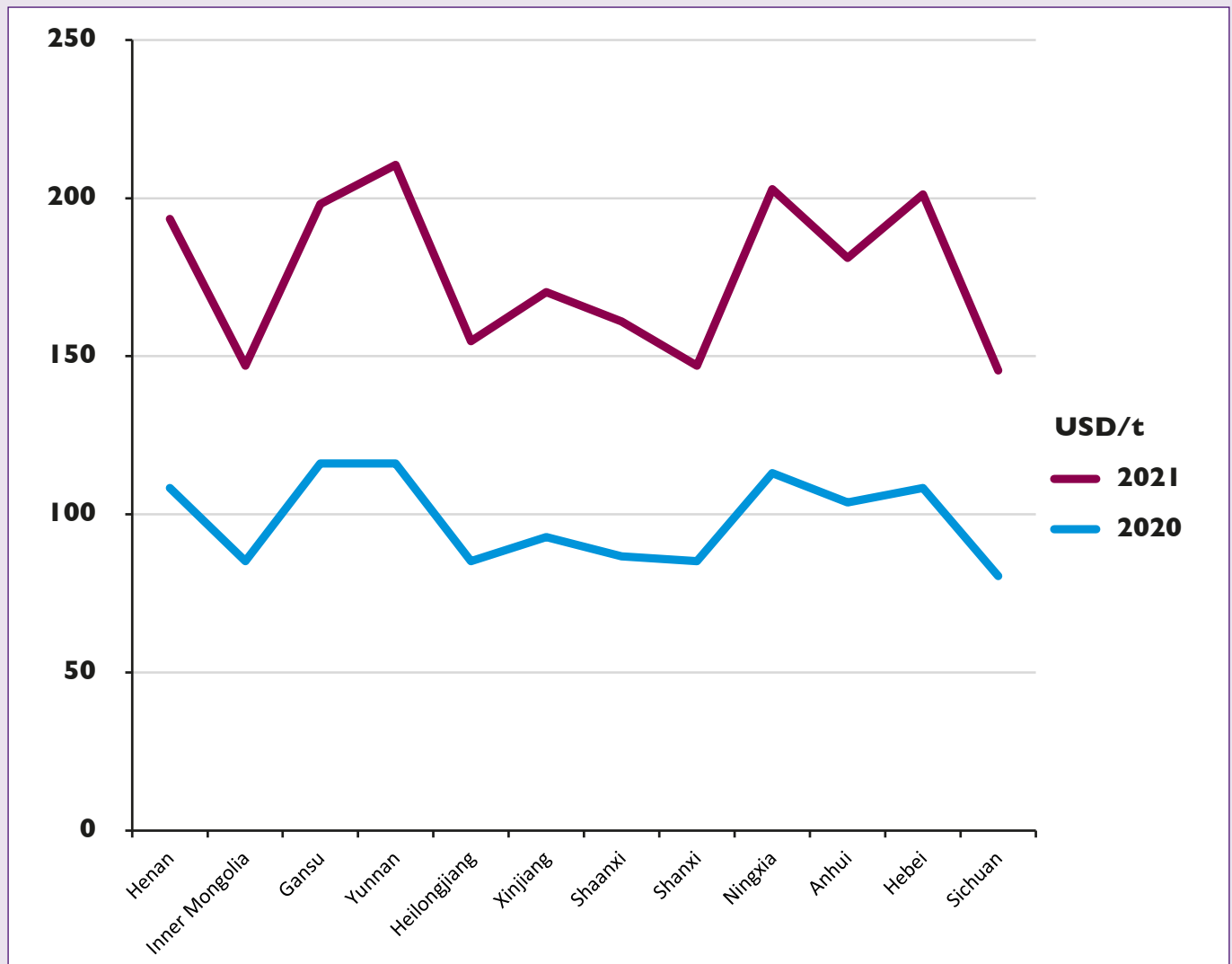
From an overall perspective, Li Shengli, the chief scientist of National Dairy Industry and Technology System and a professor of China Agricultural University, observes that 2021 has seen unprecedented growth in the prices of corn silage in China, which are now up by USD23.2-46.4/t (RMB150-300/t) YoY.

Some areas are seeing prices above the national average – notably this has been the case in Shanghai and its sub-urban areas, and also in Ningxia, Henan and Hebei provinces, exceeding USD116.1/t (RMB750/t). Moreover, the average price in Beijing and Tianjin, Gansu, Heilongjiang and Xinjiang Uygur Autonomous Region is USD92.9/t (RMB600/t), the highest in these regions' history.

Apart from the weather disruption, other factors have also contributed to rising farming costs:

- Rising prices of imported feed: the shipping crisis has had a clear impact since May, and the CIF price of imported alfalfa has reached USD380/t, a record high since the start of the Sino-US trade dispute in late 2018
- Bull market in corn: The latest futures price is around USD387/t (RMB2,500/t), up 50% YoY as of 20 Oct., 2021
- Rebound in demand for soybean meal: after the break from the Chinese spring holiday, farming operations have returned to normal and the soybean meal price has been growing since then.
- Nationwide implementation of power rationing: the price of feed products has risen by USD7.7-15.7/t (RMB50-100/t) as many feed manufacturers decided a hike in rates was necessary after their operations being limited by power rationing policies and power cuts in certain regions. The national policy situation makes it likely that power rationing will remain a fact of life at least until the end of 2021
- Increased numbers of dairy farms / cows in some regions will also lead to increased demand and so higher feed costs

FIGURE 5: Average Price of Silage Corn in 11 Provinces in 2021 vs. 2020, USD/t



Source: CCTV-2

TABLE 5: Comparison of Silage Corn Prices in 2020 & 2021 (USD/t)

Province	2020	2021	YOY Increase
Henan	85.1	108.4	27%
Inner Mongolia	61.9	85.1	38%
Gansu	82.0	116.1	42%
Yunnan	94.4	116.1	23%
Heilongjiang	69.7	85.1	22%
Xinjiang	77.4	92.9	20%
Shaanxi	74.3	86.7	17%
Shanxi	61.9	85.1	38%
Ningxia	89.8	113.0	26%
Anhui	77.4	103.7	34%
Hebei	92.9	108.4	17%
Sichuan	65.0	80.5	24%

Source: CCTV-2

News in Brief

Dairy Imports in September 2021

The latest month's import volumes show interesting YoY trends – notably a drop in SMP but continued growth for WMP, although there are signs volumes for the latter will be flatter in the October numbers, reflecting higher local supply/stocks. Whey looks rather flat given the difficult situation the local pig industry has found itself in, while there are varying levels of growth for the different cheese segments (apart from grated/powdered). Infant nutritionals are continuing their downward trend and in this month's data WPC80/WPI (more surprisingly) also heading down.

TABLE 6: Dairy Imports, tonnes

HS code	Product	202009	202108	202109	MOM	YOY
04011000	Milk & cream, fat ≤1%, not concentrated or sweetened	17,863.3	11,714.5	7,500.6	-36.0%	-58.0%
04012000	Milk & cream of >1% but ≤6% fat, not concentrated or sweetened	69,409.7	83,254.5	69,936.8	-16.0%	0.8%
04014000	Milk & cream, 6%	2.4	10.2	7,500.6	73262.8%	312425.6%
04015000	Milk & cream, fat >10%, not concentrated or sweetened	15,744.8	21,600.7	19,031.6	-11.9%	20.9%
04021000	SMP	35,421.1	33,802.8	30,531.4	-9.7%	-13.8%
04022100	WMP, unsweetened	23,004.9	73,930.9	35,920.6	-51.4%	56.1%
04022900	WMP, sweetened	521.9	292.8	198.2	-32.3%	-62.0%
04041000	Whey and modified whey	55,208.2	62,125.5	56,284.8	-9.4%	1.9%
04049000	Products consisting of natural milk constituents, nes	251.8	531.9	367.5	-30.9%	45.9%
04051000	Butter	3,836.9	5,456.7	4,250.4	-22.1%	10.8%
04059000	AMF	666.9	4,084.9	1,558.6	-61.8%	133.7%
04061000	Fresh cheese, incl. whey cheese, curd	4,189.8	8,038.1	4,377.8	-45.5%	4.5%
04062000	Grated or powdered cheese	1,905.8	1,937.0	1,774.8	-8.4%	-6.9%
04063000	Processed cheese	1,474.7	2,753.0	2,050.4	-25.5%	39.0%
04064000	Blue cheese	4.4	12.6	5.6	-55.2%	26.6%
04069000	Cheese, nes	1,260.5	2,917.8	1,492.5	-48.8%	18.4%
17021100	Anhydrous lactose, lactose wt. ≥99%	9,066.1	9,387.9	9,428.0	0.4%	4.0%
17021900	lactose syrup & other lactose	1,295.9	630.4	235.8	-62.6%	-81.8%
19011010	Infant formula	28,647.5	21,388.7	21,001.1	-1.8%	-26.7%
35011000	Casein	793.3	1,449.1	875.5	-39.6%	10.4%
35019000	Caseinates	1,277.0	2,095.4	1,587.0	-24.3%	24.3%
35022000	WPC80/WPI	3,474.4	2,813.1	2,432.2	-13.5%	-30.0%

Source: China Customs

ADOPT A COW Goes Public

On Oct. 14, Adopt a Cow Industry Co., Ltd. (Adopt a Cow) announced that the company is planning to list for A-shares, according to the Zhejiang Securities Regulatory Bureau.

In April 2021, Adopt a Cow completed a round of Series-A financing (please see the article "KKR and DCP Invest in Adopt A Cow" in the April 2021 issue).

Established in Nov. 2016, Adopt a Cow focuses on a range of pure milk, sour milk, cheese sticks, milk powder, etc., selling under this brand.

By 2020, it had set up 7 modern dairy farms with 60,000 Holsteins locally, and in June 2021 it ranked 3rd in the monthly list of China TOP Dairy Brands, based on its June revenue of USD20.1 million (RMB130 million) (Data sourced from MKTindex.com).

Bright Dairy's Premium Beverage Plant Project Settled

On 18 Oct., Shanghai Bright Dairy & Food Co., Ltd. (Bright Dairy, Stock Code: 600597) announced its cooperation with partners Hunan Yufan Look Dairy Co., Ltd. (Yufan Look Dairy) and Haikou National High-tech Zone to build a Bright Dairy-Yufan Premium Beverage plant.

Details of the project are as follows:

- Total investment: USD77.4 million (RMB500 million)
- Base location: Haikou National High-tech Zone
- Expected capacity: 120,000 t/a dairy products

The project will use equipment and production lines from France and Sweden to produce premium fresh milk, ice cream, milk formula, cheese, tropical juices, etc., targeting not only sales in China but also in overseas markets like Southeast Asia.

Bright Dairy is China's no. 3 dairy business and the leading dairy enterprise in East China, and leads the national fresh dairy category. Yufan Look Dairy was established in April 2019 and produces "Yedao Coconut Water" and "Yedao Deer & Turtle Liquid" (a health care alcoholic drink based on a traditional Chinese recipe).

Bright Dairy: First Exports to Southeast Asia

Bright Dairy & Food Co., Ltd. (Bright Dairy, Stock Code: 600597) has started exports of its "White Rabbit Candy Flavour" UHT beverage to Southeast Asia, where it is to sell in 7-Eleven convenience stores. The product has been very successful on the domestic market, and whilst this first shipment was just 10 tonnes (680 cartons), the company indicates its intention to increase its exports and start supplying into other regions/counties including North America.

This is a change from its efforts over recent years to expand its operations in the domestic market:

- Aug. 2020: Brand cooperation with new tea brand "LELECHA" with launches of 4 ice tea products (contains milk ice cubes) and 2 baking products
- Sept. 2019 to date: Opening of 4 "Bright Bakery" shops in Shanghai, where the best sellers include "Ubest Fresh Milk Toast" (original and chocolate flavours)
- July 2019: Cooperation with GUAN SHENG YUAN (owner of the brand "White Rabbit Candy") on the launch of a UHT milk product flavoured with White Rabbit Candy (the latter is a household brand in China, so the new product caused a great stir on Chinese social media when launched)
- Nov. 2018: Brand cooperation with Coffee Box with the launch of "Childlife" ice cream cups in Shanghai
- April 2016: Cooperation with Shanghai Hema Network Technology Co., Ltd. (operator of the Hema Fresh E-commerce platform), aiming to take advantage of its large consumer base and fast home-delivery service (promising 30 minutes free delivery with a delivery radius of 3 kilometers)

Ireland Grass-Fed Standard Launched in Beijing

On 18 Oct., Bord Bia (Irish Food Board) hosted a launch event for Ireland's Grass-Fed Standard at the Irish Embassy in Beijing, China.

This is the world's first grass-fed standard to specify the percentage of grass consumed in the diet of Irish dairy herds and days of outdoor grazing. Irish dairy products making this claim must be produced almost exclusively from Irish raw materials, with other non-dairy ingredients making up less than 1.5% of the total ingredients. Traceability and audit records for the dairy farms are sourced from Bord Bia's Sustainable Dairy Assurance Scheme (SDAS), set up in cooperation with milk producers, processors and regulatory authorities.

Zhongdi Animal Husbandry Acquires Zhongdi Breeding and Zhongdi IMF Centre

On 21 Oct., Zhongdi Animal Husbandry Technology Group Co., Ltd. (Zhongdi Animal Husbandry) acquired 100% of Beijing Zhongdi Breeding Co., Ltd. (Zhongdi Breeding) and Ningxia Zhongdi Infant Milk Formula Research and Development Centre (Zhongdi IMF Centre) from China Zhongdi Dairy Holdings Company Ltd (Zhongdi Dairy)

- Zhongdi Breeding was established on 4 June, 2004 with registered capital of USD185.7 (RMB1.2 billion) and focuses on dairying with Holsteins, sales of feeds and cereal, and R&D and consultancy in agricultural technologies
- Zhongdi IMF Centre was founded with registered capital of USD46.4 million (RMB3.0 million) in Yinchuan City, Ningxia Province on 24 June, 2016. It has developed cooperative partnerships on IMF R&D with Zhongdi Dairy, the Animal Husbandry Office of Ningxia Hui Autonomous Region, Ningxia Nongken Helanshan Dairy Co., Ltd., Ningxia Jinhe Technology Co., Ltd., Ningxia Xiajin Dairy Industry Group Co., Ltd. and Ningxia Hengda Dairy Co., Ltd.

Zhongdi Animal Husbandry was registered with USD278.6 million (RMB1.8 billion) on 21 April, 2014 and is wholly-owned by China Zhongdi Dairy Investment (HK) Company Ltd. In addition to these 2 new acquisitions in Beijing and Ningxia, it owns several dairy and feed production divisions in Tianjin and Shanxi Province.

The wider context is that on 28 June, 2021, China Zhongdi Dairy Investment (HK) Company Ltd withdrew from the Hongkong Stock Exchange after being acquired by Inner Mongolia Yili Industrial Group Co., Ltd. through Wholesome Harvest Ltd.

Draft Revisions to Animal Husbandry Law under Consideration

On 19 Oct., the Draft Revisions to Animal Husbandry Law was discussed during the 31st Session of the 13th NPC Standing Committee.

The draft stresses the legal guarantee system for public health, high quality development of the animal husbandry industry and effective supply of animal husbandry products.

At the same time, it promotes scientific use and management of pasture – implementing measures like pasture (rotation are recommended, to raise its sustainability. Conversion of pasture areas for animal husbandry use is encouraged.

Key changes in the draft are as follows:

- A new chapter – “Pasture-based Animal Husbandry” – regulates requirements for infrastructure construction, forage supply, disaster prevention and mitigation support, subsidies for ecological conservation, etc.
- Supervision of the production and operation of feed and veterinary drugs, trading and transportation of livestock and poultry, legal liability, etc., are further restricted

The current Animal Husbandry Law in China was launched on 1 July, 2006.

Modern Dairy Targets Growing Production Region

On 15 Sept., China Modern Dairy Holdings Ltd. (Modern Dairy, Stock Code: HK.01117) announced a deal to lease a 5,000 cow farm (yet to be built) with 3 parties – China Mengniu Dairy Company Ltd. (shareholder in Modern Dairy), Changji Agricultural Investment Development Management Co., Ltd. and the Changji Municipal People's Government. This will be the first large-scale dairy farm in Xinjiang Uygur Autonomous Region (XUAR). Its earthwork construction was due to start on 15 Oct. and this phase of the construction is scheduled to complete on 3 Nov., 2021 (20 days in total).

Modern Dairy currently has 26 dairy farms in China with over 250,000 cows producing 1.5 million tonnes of raw milk per year – this new site will extend its operations across 11 provinces/regions nationwide.

It continues to battle against rising costs however – in H1 this year, the operating cost of its farms totalled USD240.7 million (RMB1.56 billion), up by 17.8% YoY, mainly driven by the rising forage cost.

Most recently, the location of this new dairy farm – Changji City in XUAR – has seen rapid growth in agricultural production. Its growing area for silage corn has grown to 3,333 ha (50,000 mu), supporting the city government's plan to raise 100,000 head of dairy/meat cows by 2025 and be a leading player in the region's animal husbandry sector.

Jinjian Dairy to Upgrade Dairy Farm

On 8 Oct., Hunan Jinjian Dairy Co., Ltd. (Jinjian Dairy), a subsidiary of Hunan Jinjian Cereals Industry Co., Ltd. (Stock Code: 600127), announced it is to upgrade and expand The Fifth Pasture into a modern dairy farm with 800 cows to ensure milk supply and effective control over product quality.

The Fifth Pasture has operated since 2002 and currently produces 7 tonnes of milk per day, far short of requirements, hence its plan to invest USD2.9 million (RMB 19 million) into the site, mainly concentrating on the following items:

- Maintenance / upgrading of cattle shed and milking room
- Purchase of milking machinery and related equipment
- Upgrading of waste disposal system and other supporting facilities

Jinjian Dairy is an integrated dairy business mainly operating in Hunan Province, and is one of China's designated school milk programme suppliers.

Key data on the firm is as follows:

- Registration capital: USD13.9 million (RMB90.0 million)
 - Market value: USD21.7 million (RMB140.0 million)
 - Major business: fresh milk and UHT milk
 - Company location: Chengde Economic & Technological Development Zone, Hunan Province
 - Current herd size: 3,000 head of Holsteins
 - Number of employees: 200+
-

Shengda Dairy Invests in a New Plant

On 20 Oct., Shangri-La Shengda Yak Dairy Co., Ltd. (Shengda Dairy), a subsidiary of Synutra International Inc., invested in a new plant in the west of Sichuan Province.

Details of the new business are as follows:

- Company name: Litang Youzi Dairy Co., Ltd.
- Date of establishment: 20 Oct., 2021
- Location: Ganzi Tibetan Autonomous Prefecture, Sichuan Province
- Total investment: USD 0.5 million (RMB3.0 million) for a 90% stake (the balancing 10% is held by the acting executive director)

Established on 17 May, 2011, Shengda Dairy mainly focuses on yak and goat milk formula for all age groups. Its 3,500 t/a yak IMF plant is a key business in Yunnan Province.

Synutra International Inc., is the first Chinese IMF company listed in NASDAQ, focused on IMF and nutritional supplements for infant and children. Its brands include "Aiyiduo" (produced in France), "Youbo" (FSMPs for Infant) and "Yousha Beiai" (saanen goat milk products), etc.

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