

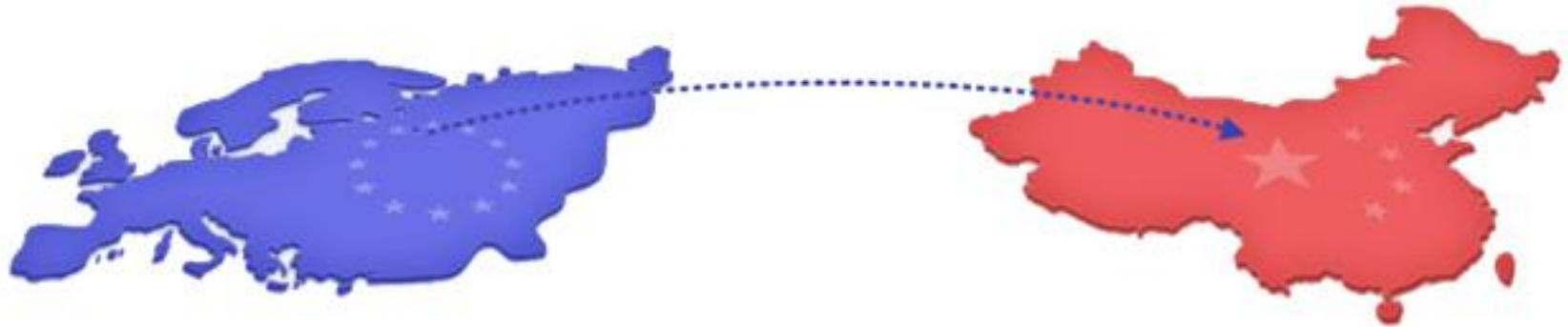


# The Dairy Products Market in China

Embassy of Portugal – Beijing July 4, 2013

A project funded by the European Union





- The EU SME Centre in Beijing is a project funded by the European Union
- To assist European SMEs to export to China and **establish, develop and maintain commercial activities** in the Chinese market
- Free, confidential **information and advice**, and practical **support services**

## Information and advice

- Enquiries
- Publications
- Training
- Webinars
- Databases



## Support services

- Hot desks
- Briefings
- Matchmaking and networking

# Diagnostic kit

## *Are you ready for China?*



- Includes four reports and an online quiz
- Covers all aspects of early market entry in China
- Includes lists of national and European support organisations
- Includes a multitude of links to further sources of information
- Freely available on our website [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)



The screenshot shows the EUSME Centre website homepage. At the top left is the logo. To its right are input fields for 'email' and 'password', with links for 'Apply for a free membership' and 'Lost your password?'. A search bar is also present. Below these are navigation tabs: 'About the Centre', 'How to use the Centre', 'News', 'Events', and 'Contacts'. A secondary row of tabs includes 'Knowledge Centre', 'Why China', 'Doing business in China', and 'Before you get there'. A prominent 'Ask the expert!' box asks if the user has a question about doing business in China. Below this is a 'Welcome to the EU SME Centre' section with a photo of a laptop and keyboard, and text explaining the Centre's mission. Social media icons for LinkedIn, Facebook, and Twitter are shown. A 'NEWSLETTER' graphic is also visible. At the bottom, there are four main content blocks: 'Knowledge Centre' (with sub-links for Documentation and Exhibitions), 'Why China?' (with sub-links for Macroeconomic drivers and Opportunities to succeed), 'Before you get there' (with sub-links for Know your market and Due diligence), and 'Doing business in China' (with sub-links for Exporting and Entering the market).

[www.eusmecentre.org.cn](http://www.eusmecentre.org.cn)

- Register for free on our website and access our:
- Ask-the-expert service for any question you might have
- Knowledge Centre for up-to-date publications
- Events and webinar calendar
- Hot-desking service

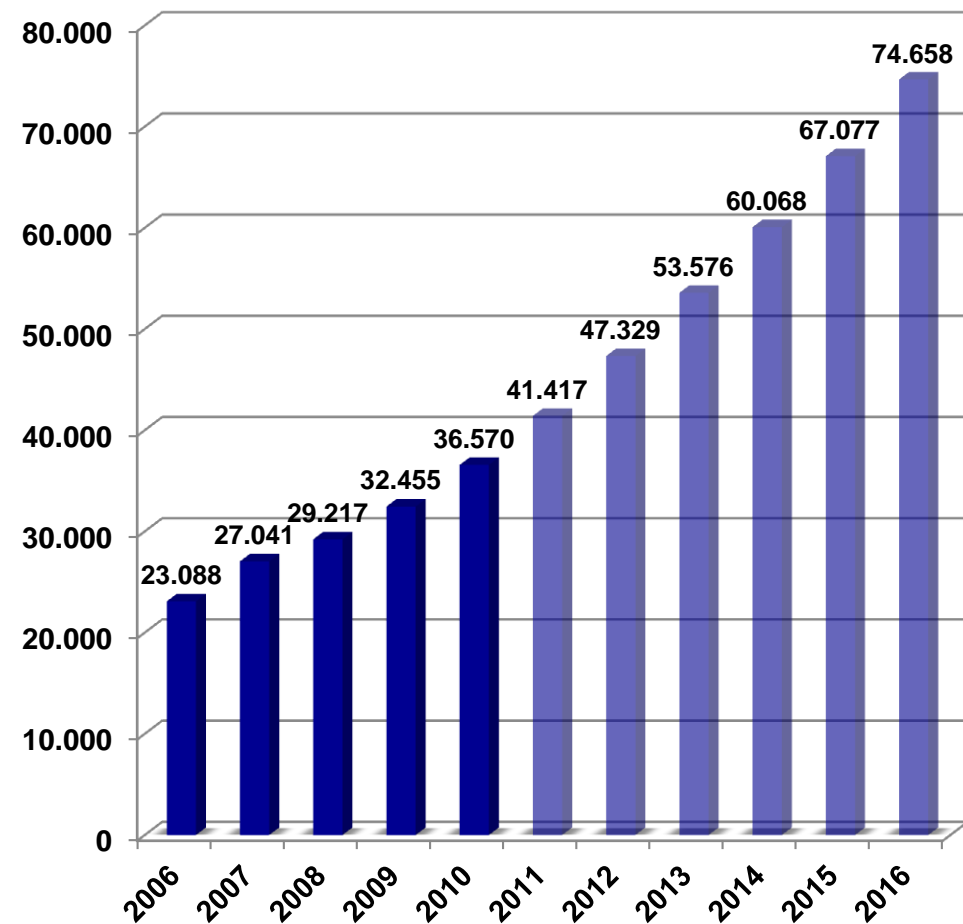
- **Market Overview**
  - Market Size
  - Future Development
- **Breakdown by Product Category** (Size, Imports, Prices, Standards, Labels)
  - Liquid Milk
  - Milk Powder
  - Infant Milk Formula
  - Cheese
  - Ice Cream
- **Opportunities and Challenges**
- **Relevant Exhibitions**
- **Relevant Institutions**

# Dairy Products Market in China

## Market Overview

# Market Size

## Retail Value in US\$ Millions

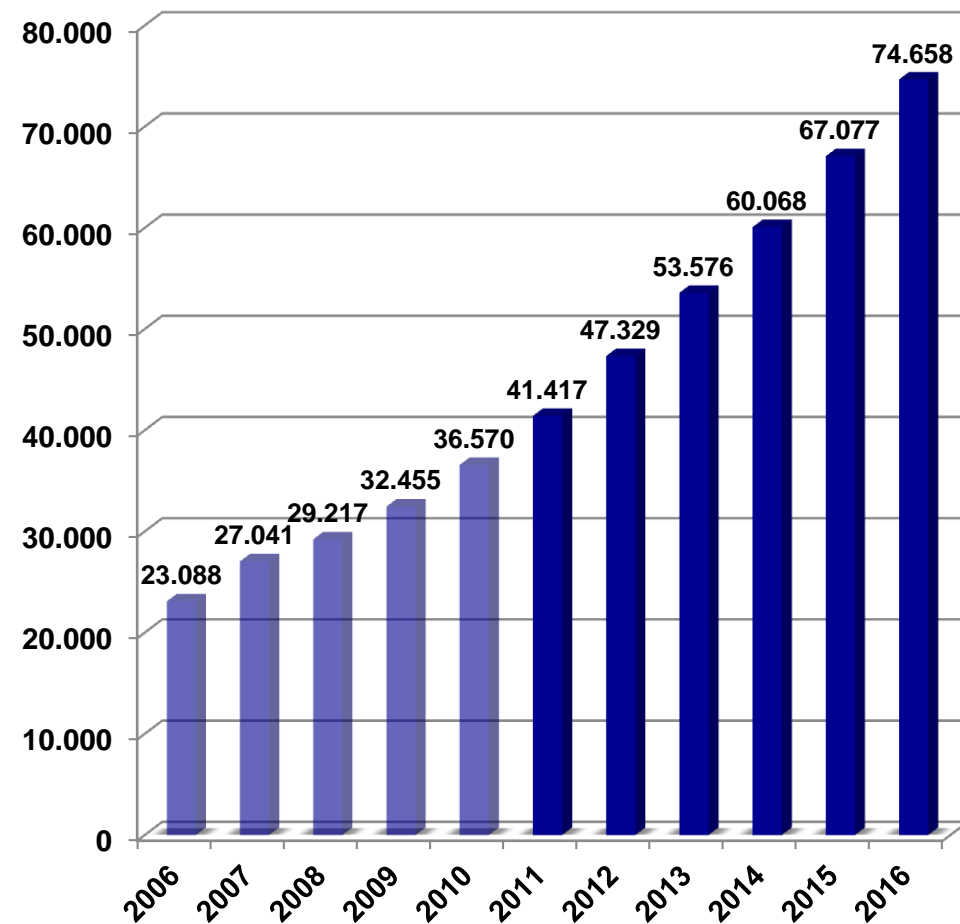


source Euromonitor 2011

### Facts and Details

- China represents the second largest retail market for dairy product globally after the US;
- Per-capita spending on dairy products reached US\$30.9 in 2011. Thanks to increasing income levels, this value is expected to be growing in the next future;
- Baby and infant milk formula showcased the highest growth rates for the period 2006-2010 (170,6%) whereas coffee whiteners and condensed milk registered the lowest rates (26,4%);
- Per capita annual consumption of dairy products is around 28 kg in urban areas, but is only around 12 kg in rural areas;
- New Zealand is the biggest exporter (45.6% of total imports in 2012), followed by France, the Netherlands and the US;
- Around 80% of dairy products reach consumers via retailers. For cheese products, yogurt, and take-home ice cream, the supermarkets' role is even more important.





source Euromonitor 2011

## Drivers for Future Growth

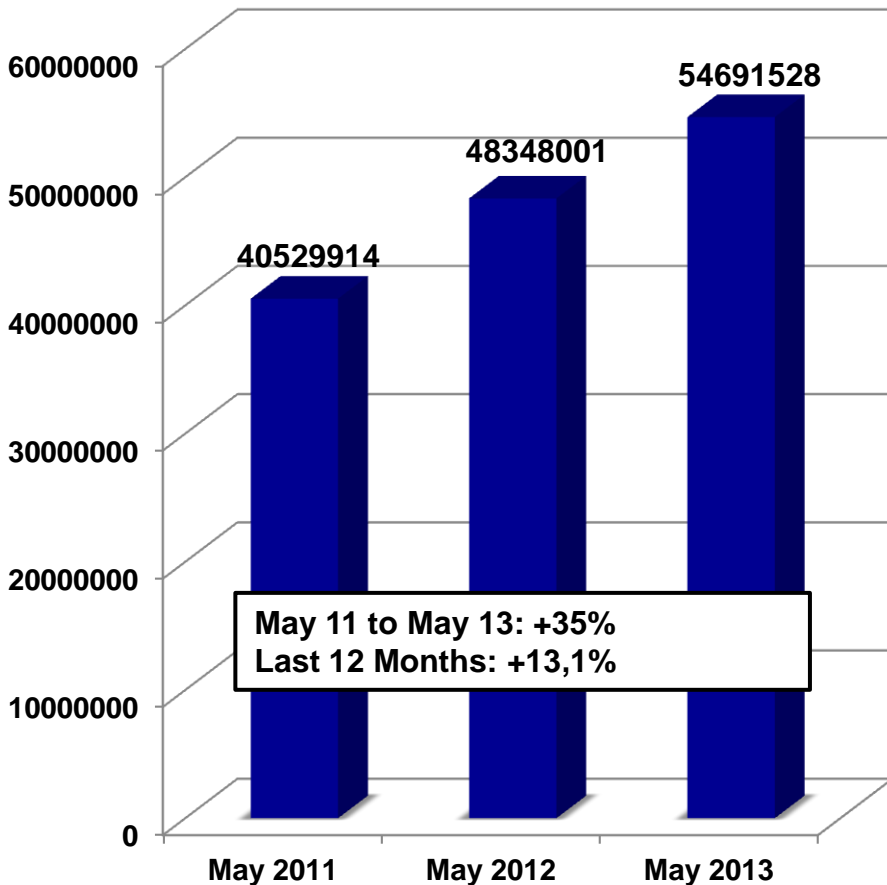
- Rising disposable income;
- Increased urbanisation;
- Improved affordability of domestic cold storage facilities;
- Increasing demand for safer and healthier food;
- Increased awareness of health benefits of dairy products;
- Based on the "XII Five-Year" plan, the output of the dairy industry will increase by 5.8% annually and reach 50 million tons by 2015.

# Dairy Products Market in China

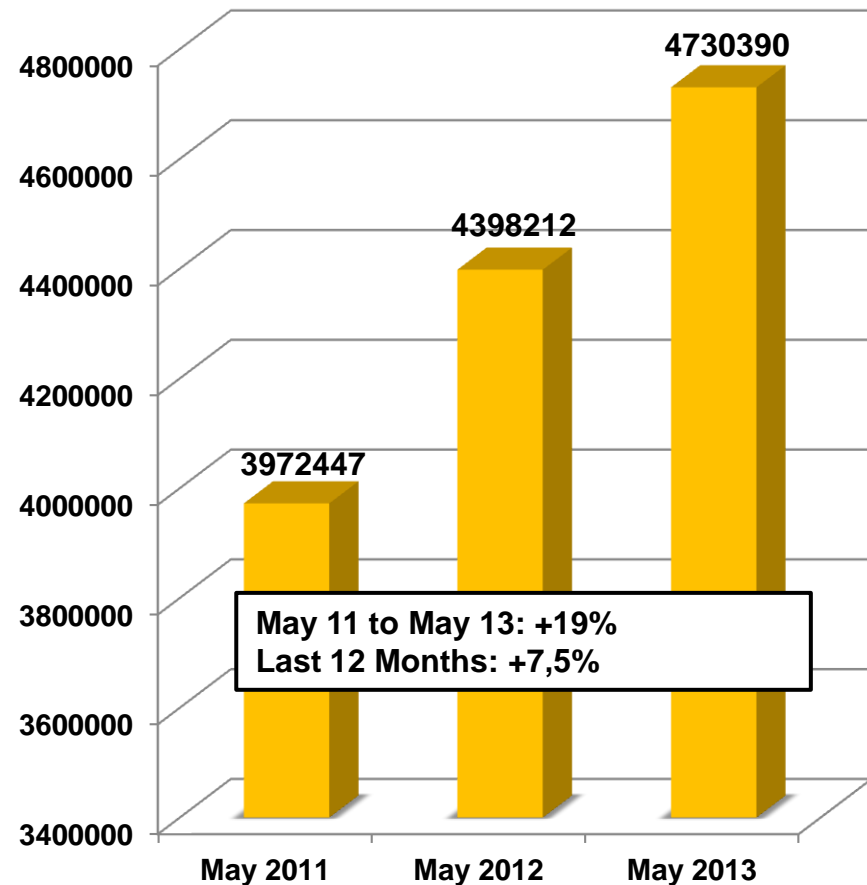
## Breakdown by Product Category

# Breakdown by Product: Liquid Milk

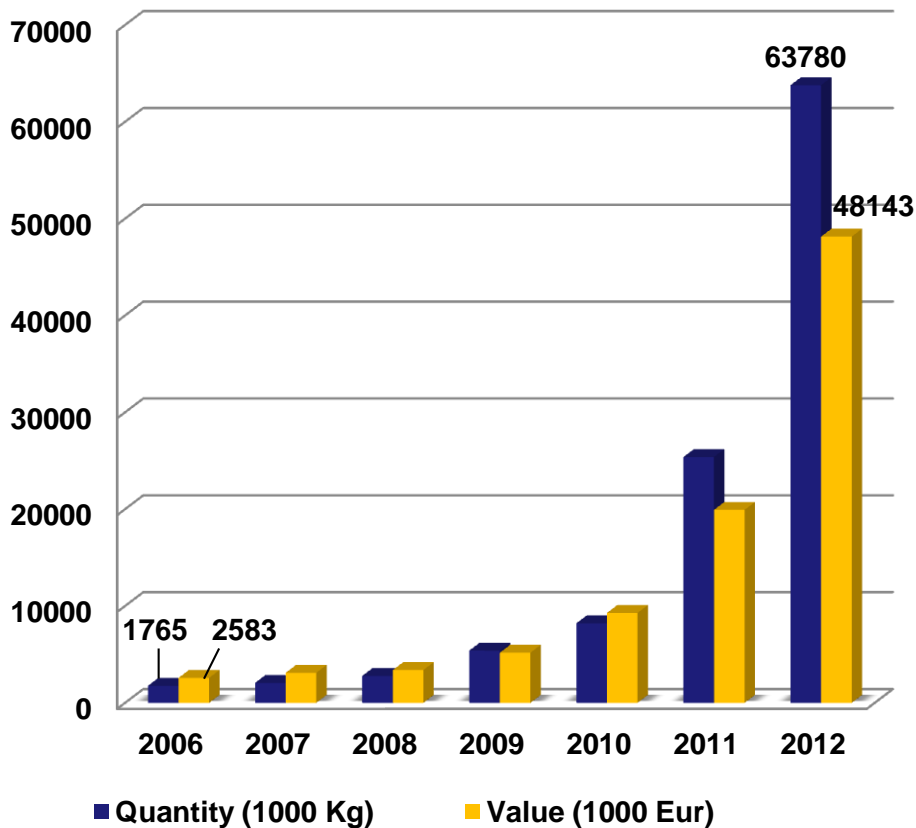
**Sales Value (1000 RMB)**



**Sales Volume (1000 litre)**



## EU 27 Export of Liquid Milk to China



source European Commission Market Access Database, 2013

## Facts and Details

- Y-o-y Gr 2011-2012: +141% Exp Value  
+151% Exp Quantity
- CAGR 2006-2012: +62,8% Exp Value  
+81,8% Exp Quantity
- Fluid milk is the largest product segment in the dairy industry, and is sold mainly in cardboard containers and plastic packages;
- Due to the rapid spreading of food safety awareness amongst consumers, manufacturers have been introducing new product categories able to satisfy buyers' specific requests (i.e. calcium-fortified, iron-fortified, low-fat or fat-free drinking milk products, organic dairy products, as well as products added with functional ingredients);
- Flavored milk drinks with fruit juice will continue gaining market momentum through the whole 2013;
- Main players in the market are local companies: Mengniu, Yili and Wangwang.

## Retail Channel



**Mengniu**

• RMB 59.7



**Yili**

• RMB 56.1



**Oldenburger**

• RMB 77.6

## Online Retail



**Mengniu**

- Telunsu 250ml x 12
- RMB 58.5



**Yili**

- Jindian 250ml x 12
- RMB 58



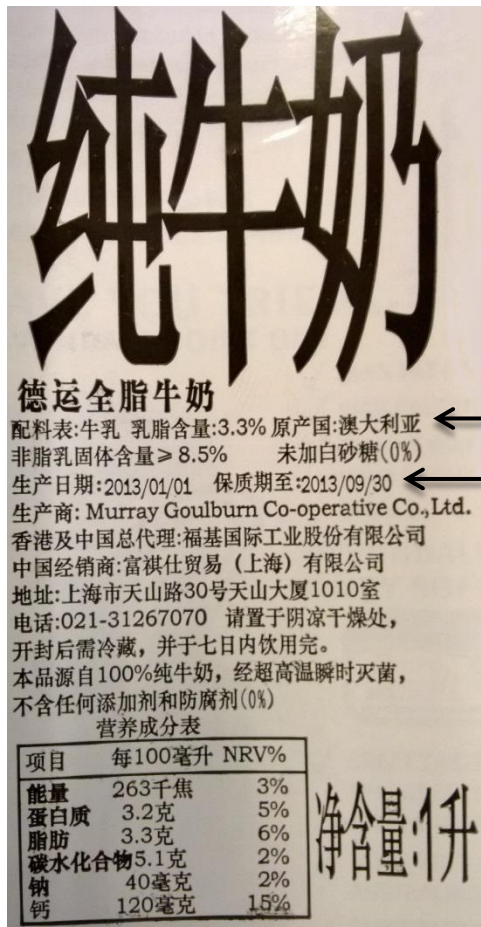
**Oldenburger**

- Full Cream Milk 200ml x 12
- RMB 66

Devondale

Full Cream  
Milk

1L



**Product name** → 德运全脂牛奶

**Product description** → 配料表:牛乳 乳脂含量:3.3% 原产国:澳大利亚  
非脂乳固体含量≥ 8.5% 未加白砂糖(0%)

**Production date** → 生产日期:2013/01/01 保质期至:2013/09/30

**Manufacturer** → 生产商: Murray Goulburn Co-operative Co.,Ltd.  
香港及中国总代理:福基国际工业股份有限公司

**Distributor** → 中国经销商:富祺仕贸易(上海)有限公司  
地址:上海市天山路30号天山大厦1010室  
电话:021-31267070 请置于阴凉干燥处,

**Product usage** → 开封后需冷藏,并于七日内饮用完。  
本品源自100%纯牛奶,经超高温瞬时灭菌,  
不含任何添加剂和防腐剂(0%)

**Nutrition facts** →

项目	每100毫升	NRV%
能量	263千焦	3%
蛋白质	3.2克	5%
脂肪	3.3克	6%
碳水化合物	5.1克	2%
钠	40毫克	2%
钙	120毫克	15%

Country of origin → 澳大利亚

Expiration date → 2013/09/30

净含量:1升

- **National Standard: GB 19301-2010 National food safety standard for raw milk**

Item	Indicators	Inspection Methods
Freezing point <sup>a,b/</sup> °C	- 0.500 ~ - 0.560	GB 5413.38
Relative Density/(20°C/4°C)	1.027	GB 5413.33
Protein (g/100g)	2.8	GB 5009.5
Fat (g/100g)	3.1	GB 5413.3
Impurities (mg/kg)	4.0	GB 5413.30
Milk solids-not-fat (g/100g)	8.1	GB 5413.39
Acidity/°T Bovine milk Ovine milk	2~18 6~13	GB 5413.34

<sup>a</sup>Tested 3 hours after the milking.

<sup>b</sup>Applies only to Holsteins cows.

- National Standard: GB 11673-2003 Hygienic standard for milk beverage

## Organic Indicators

Item	Indicators
Protein / (g/100 mL) $\geq$	1.0
Fat <sup>a</sup> / (g/100 mL) $\geq$	1.0
Total Arsenium (As) (mg/L) $\leq$	0.2
Lead (Pb) / (mg/L) $\leq$	0.05
Copper / (mg/L) $\leq$	5.0

<sup>a</sup>Applies only to fresh milk.

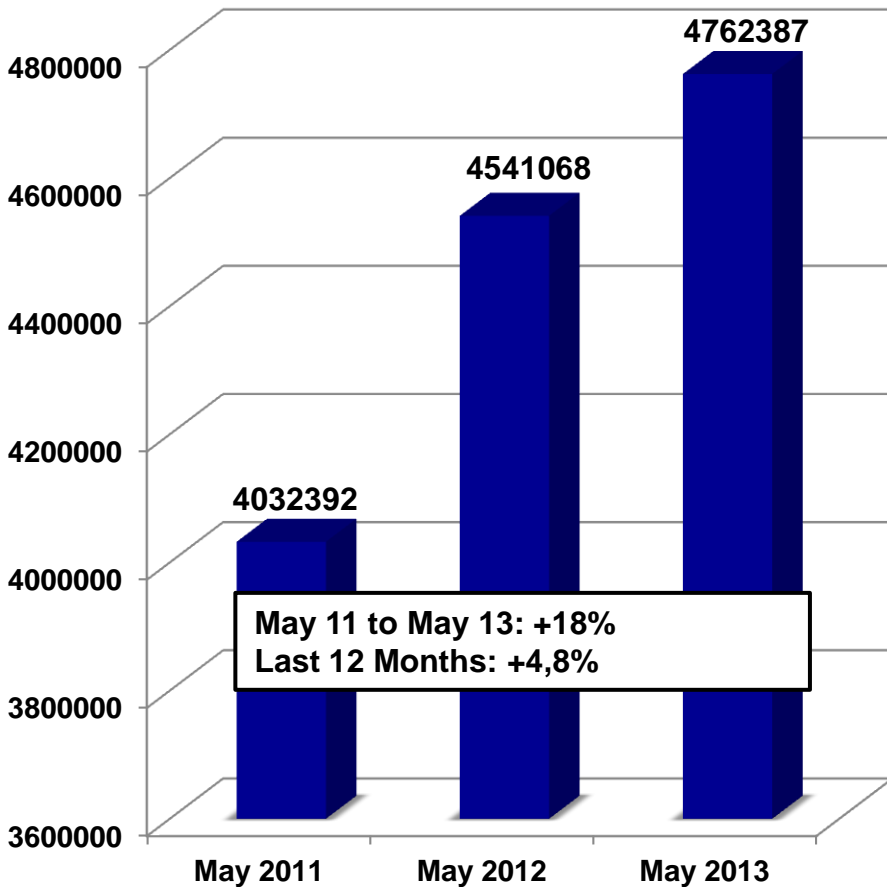
## Microbial Indicators

Item	Indicators
Total Bacterial Colony (cfu/mL) $\leq$	10000
Coliform / (MPN/100 mL) $\leq$	40
Fungi / (cfu/mL) $\leq$	10
Yeast (cfu/mL) $\leq$	10
Bacteria (Salmonella, Shigella, staphylococcus Aureus)	Must not be detected

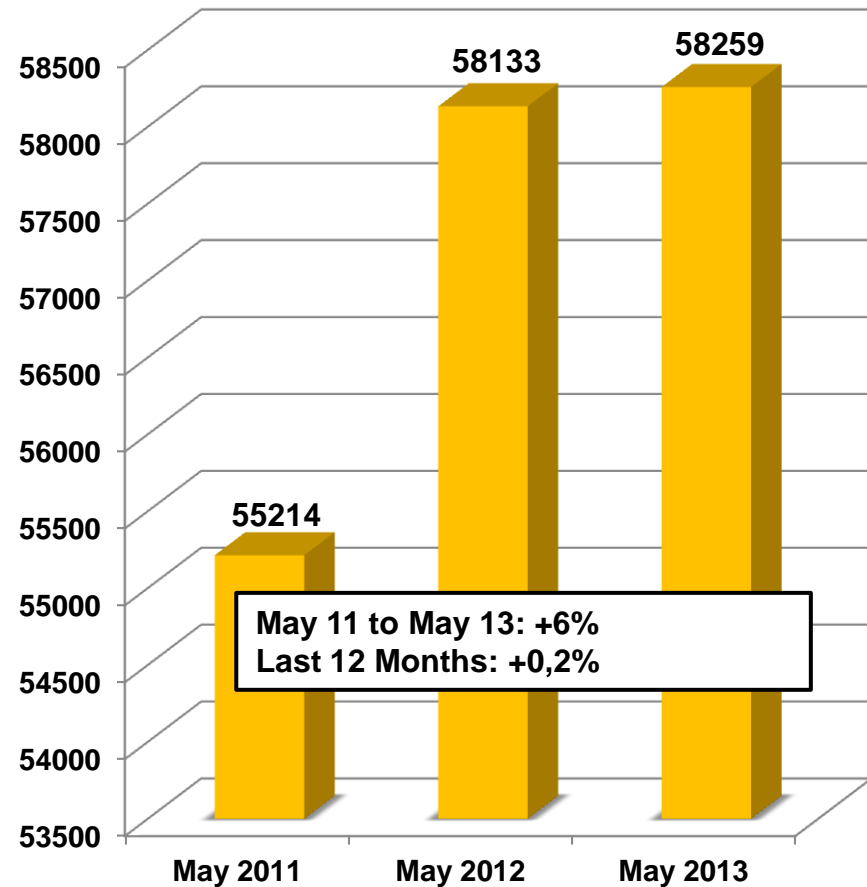


# Breakdown by Product: Milk Powder

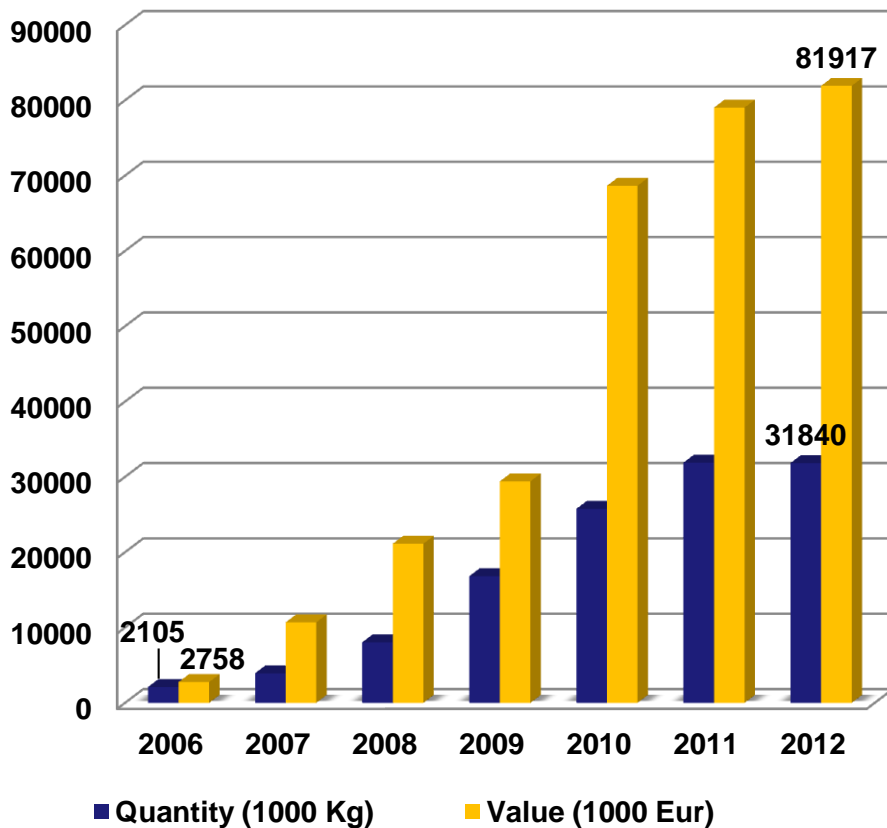
**Sales Value (1000 RMB)**



**Sales Volume (1000 litre)**



## EU 27 Export of Milk Powder to China



source European Commission Market Access Database, 2013

## Facts and Details

- Y-o-y Gr 2011-2012: +3,65% Exp Value  
-0,14% Exp Quantity
- CAGR 2006-2012: +75,9% Exp Value  
+57,2% Exp Quantity
- The melamine scandal which bursted in China in 2008 has increased domestic demand for imported milk powder. In 2011-2012 it remained the biggest import item;
- New Zealand, with over 80% of market share, is the biggest milk powder exporter to China, followed by United States, Australia and EU;
- Main players in the market are: Yili, Nestlé and ShengYuan Dairy.

## Retail Channel



**Yili**

• RMB 29.3



**Nestlé**

• RMB 27.6



**DutchCow**

• RMB 25.7

## Online Retail



**Yili**

- Milk Powder for Young Women 400g
- RMB 36



**Nestlé**

- Full Cream Milk Powder 400g
- RMB 33.8



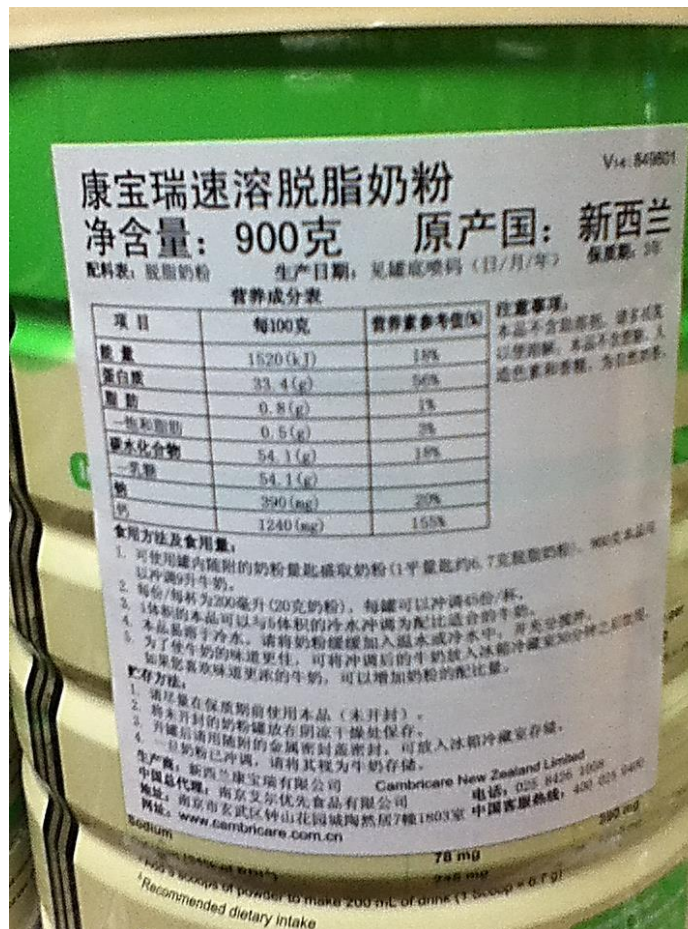
**DutchCow**

- High Calcium Nutritional Milk Powder 400g
- RMB 36

**Cambricare**

**Skimmed  
Milk Instant  
Powder**

**900 g**



- **National Standard: GB 19644-2010 Milk Powder**

Item	Milk Powder	Formulated Milk Powder	Test Method
<b>Protein (%)</b> ≥	34% of MSFN <sup>a</sup>	16.5	GB 5009.5
<b>Fat<sup>b</sup> (%)</b> ≥	26.0	—	GB 5413.3
<b>Remade milk acidity / (°T)</b>			
<b>Bovine milk</b> ≤	18	—	GB 5413.34
<b>Ovine milk</b> ≤	7 ~14	—	
<b>Moisture content / (mg/kg)</b> ≤	16	—	GB 5413.30
<b>Moisture Content (%)</b> ≤	5.0		GB 5009.3

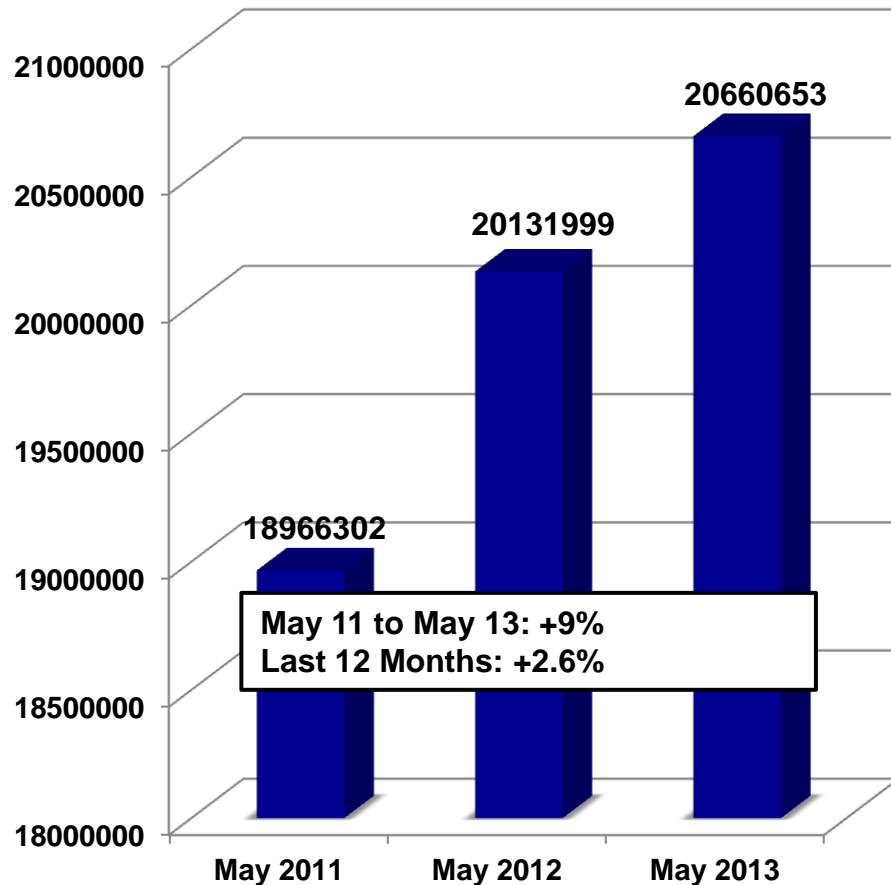
<sup>a</sup>Milk solids-not-fat (% = 100% - fat (%) – moisture (%)).

<sup>b</sup>Applies only to whole milk powder.

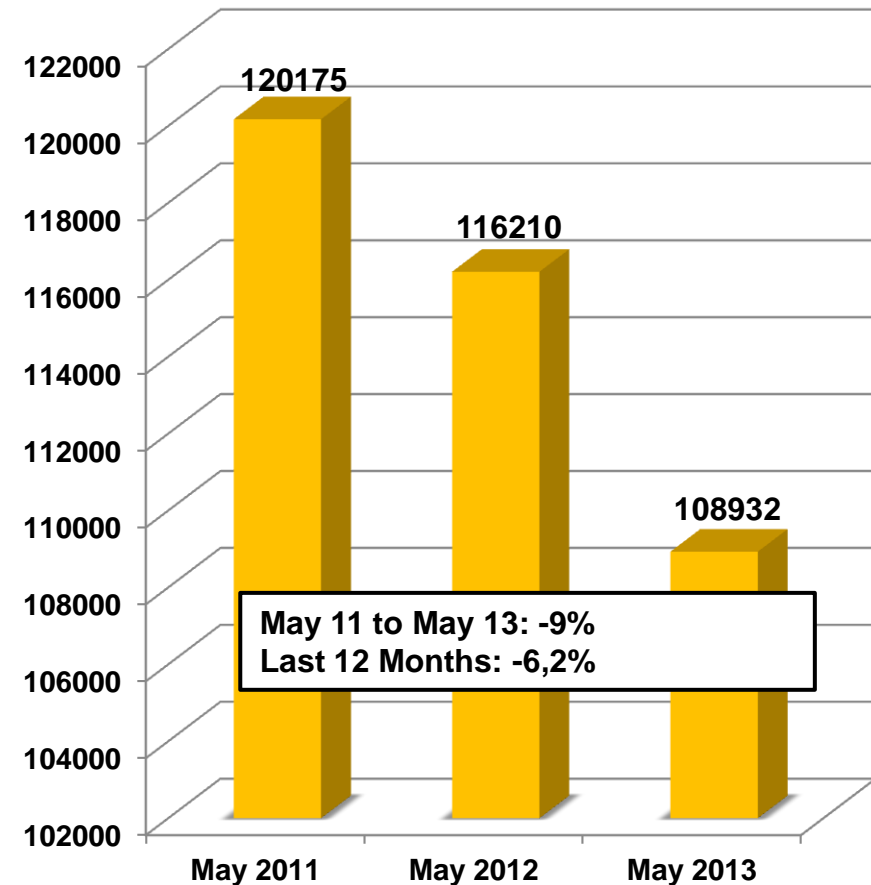
# Breakdown by Product

## Infant Milk Formula

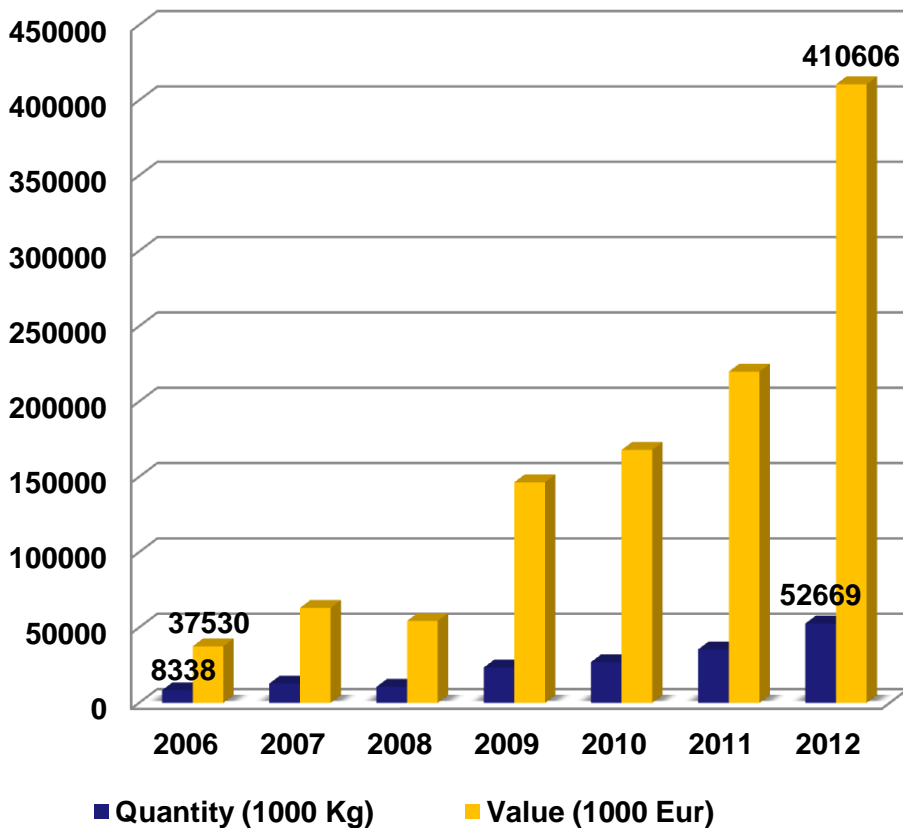
**Sales Value (1000 RMB)**



**Sales Volume (1000 litre)**



## EU 27 Export of Infant Milk Formula to China



source European Commission Market Access Database, 2013

## Facts and Details

- Y-o-y Gr 2011-2012: +86.7% Exp Value  
+48.5% Exp Quantity
- CAGR 2006-2012: +48.9% Exp Value  
+35.9% Exp Quantity
- Exports of infant formula to China increased in the first two months of 2013 by 114 percent following almost 50 percent increase in 2012 compared to 2011;
- The market is almost monopolized by international brands from Europe, US, Australia and New Zealand due to the high brand recognition and confidence they enjoy amongst Chinese consumers;
- The Netherlands (22.5%), New Zealand (18.6%), France (16.1%) and Singapore (17.2%) represented the top baby/toddler formula milk powder exporters to China at the end of 2012
- Major players in the market are: Dumex, Mead Johnson and Wyeth.

## Retail Channel



**Dumex**

• RMB 183.7



**Mead Johnson**

• RMB 197.9



**Wyeth**

• RMB 176.0

## Online Retail



**Dumex**

- All in One Growing Up 900g
- RMB 198



**Mead Johnson**

- A+ Growing Up 900g
- RMB 193



**Wyeth**

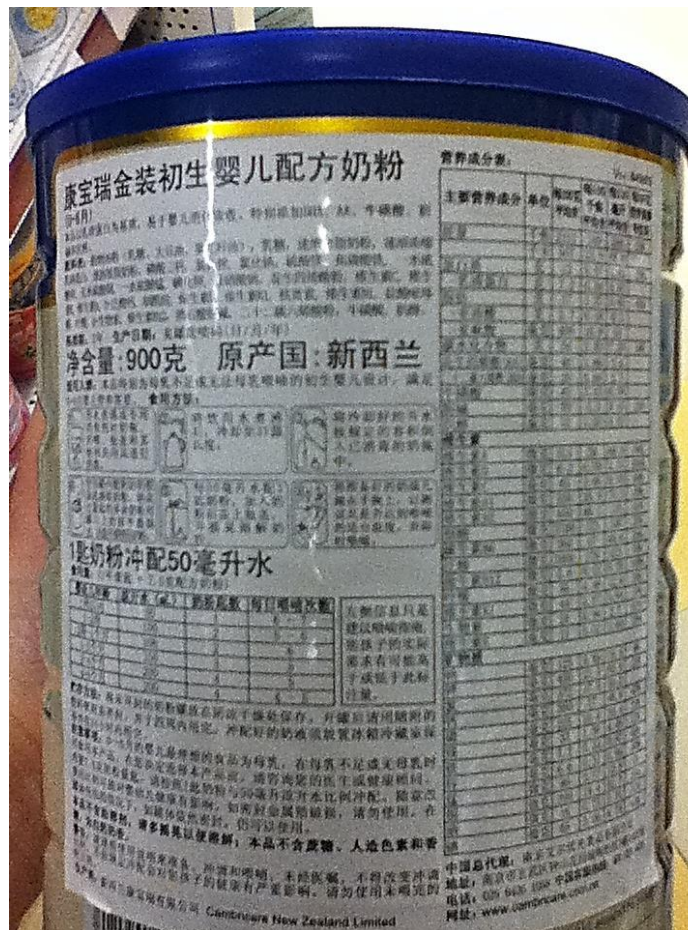
- Progress Gold Growing Up 900g
- RMB 198



Cambricare

Starter Infant Milk Powder

900 g



- National Standard: GB 23790-2010 – Infant Formulas

## Index of Protein, Fat and Carbohydrate

Nutrient	Unit	Per 100 KJ		Per 100 Kcal	
		Min	Max	Min	Max
<b>Protein<sup>b</sup>:</b>					
• Milk-based infant formula	g	0.45	0.7	1.8	3.0
• Soybean-based infant formula	g	0.5	0.7	2.25	3.0
<b>Fat<sup>c</sup> in which:</b>					
• Linoleic acid	g	1.05	1.4	4.4	6.0
• $\alpha$ -linolenic acid	g	0.07	0.33	0.3	1.4
• Linoleic acid/ $\alpha$ -linolenic	mg	12	N.S. <sup>a</sup> .	50	N.S. <sup>a</sup> .
• Acid ratio		5:1	15:11	5:1	15:1
<b>Total Carbohydrate<sup>d</sup></b>	g	2.2	3.3	9.0	14.0

<sup>a</sup>No Specification.

<sup>b</sup>For infant formulas based on milk protein and its processed products, the content of lactalbumin should be over or equal to 60%; the content of protein should be calculated as nitrogen (N) x 6.25; for infant formulas based on beans and their processed products, the content of protein should be calculated as nitrogen (N) x 5.71.

<sup>c</sup>In the finished products, the total content of lauric acid and myristic acid (tetradecanoic acid) should not exceed 20% of the total fatty acid; the maximum content of trans fatty acid should not exceed 3% of total fatty acid; the eruc acid content should not exceed 1% of the total fatty acid.

<sup>d</sup>The content of lactose in total carbohydrate should be over or equal to 90%.

- National Standard: GB 23790-2010 – Infant Formulas

Indices of Vitamin					
Nutrient	Unit	Per 100 KJ		Per 100 Kcal	
		Min	Max	Min	Max
Vitamin A	µg RE <sup>a</sup>	14	43	60	180
Vitamin D <sup>b</sup>	µg	0.25	0.6	1	2.5
Vitamin E	Mg α-TE <sup>c</sup>	0.12 <sup>d</sup>	1.2	0.5 <sup>d</sup>	5
Vitamin K	µg	1	6.5	4	27
Vitamin B <sub>1</sub>	µg	14	72	60	300
Vitamin B <sub>2</sub>	µg	19	119	80	500
Niacin and niacinamide <sup>e</sup>	µg	70	360	300	1500
Vitamin B <sub>6</sub>	µg	805	45	35	175
Vitamin B <sub>12</sub>	µg	0.025	0.36	0.1	1.5
Pantothenic acid	µg	96	478	400	2000
Folic acid	µg	2.5	12	10	50

## Indices of Vitamin

Nutrient	Unit	Per 100 KJ		Per 100 Kcal	
		Min	Max	Min	Max
Vitamin C <sup>f</sup>	mg	2.5	17	10	70
Biotin	µg	0.4	2.4	1.5	10

<sup>a</sup>RE is retinol equivalent. 1 µg RE=3.33 IU A=1µg All trans retinol (Vitamin A). Ingredients of Vitamin A shall come from preformed retinol. When calculating or claiming activities of Vitamin A, no carotenoids ingredient shall be included.

<sup>b</sup>Calciferol, 1 µg Calciferol = 40 IU Vitamin D.

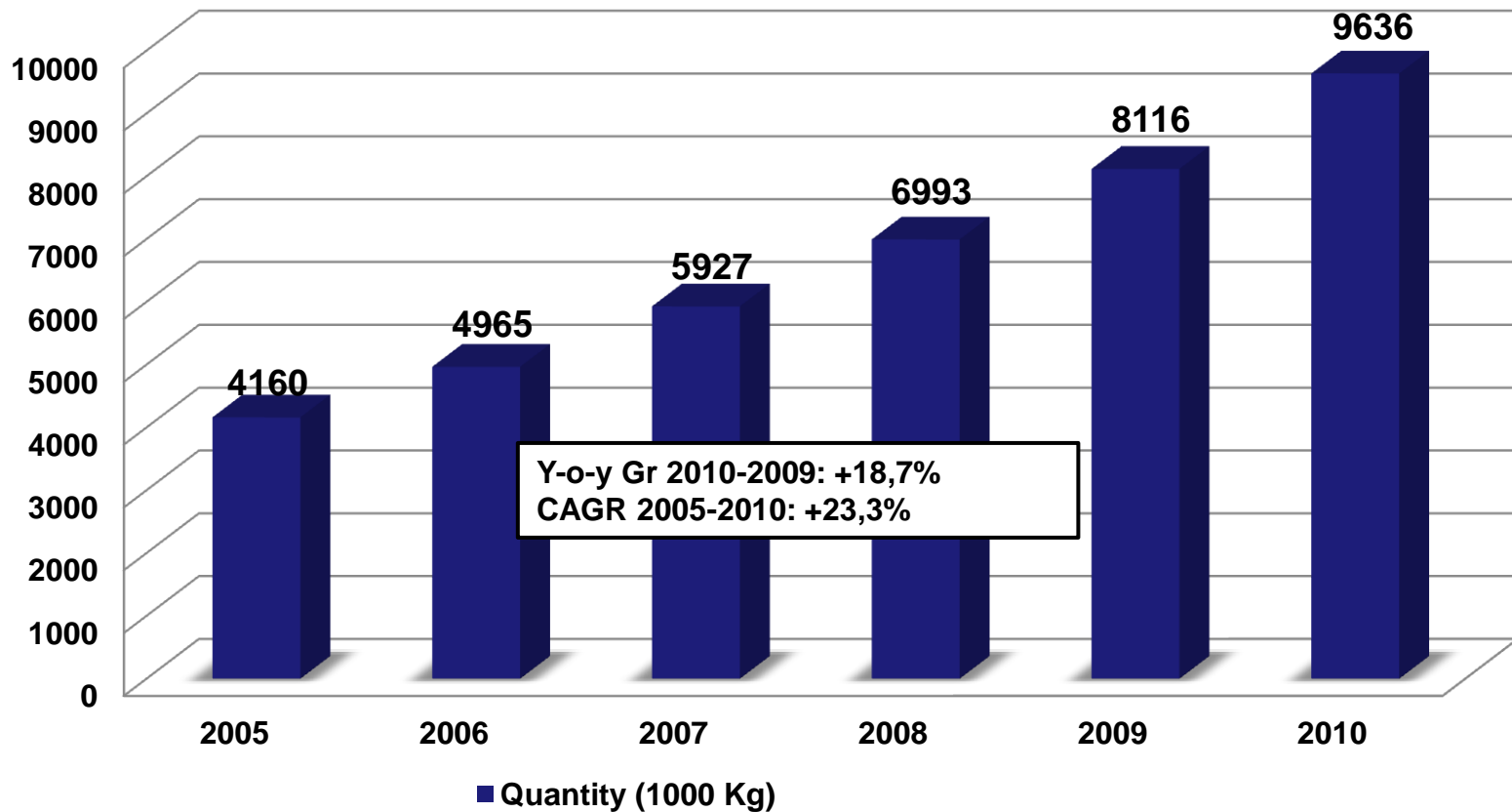
<sup>c</sup>1 α-TE (α-tocopherol equivalent)=1 mg d-α-tocopherol.

<sup>d</sup>The content of Vitamin E should be at least 0.5 mg of α-TE per gram of polyunsaturated fatty acid. The minimum of Vitamin E content should be regulated according to the number of double bonds in polyunsaturated fatty acids in the formula as follows: 0.5 mg of α-TE per gram of linoleic acid (18:2 n-6); 0.75 mg of α-TE per gram of α-linolenic acid (18:3 n-3); 1.0 mg of V per gram of arachidonic acid (20:4 n-6); 1.25 mg of α-TE per gram of Eicosapentaeonic Acid (20:5 n-3); 1.5mg of α-TE per gram of docosahexonic acid (22:6 n-3).

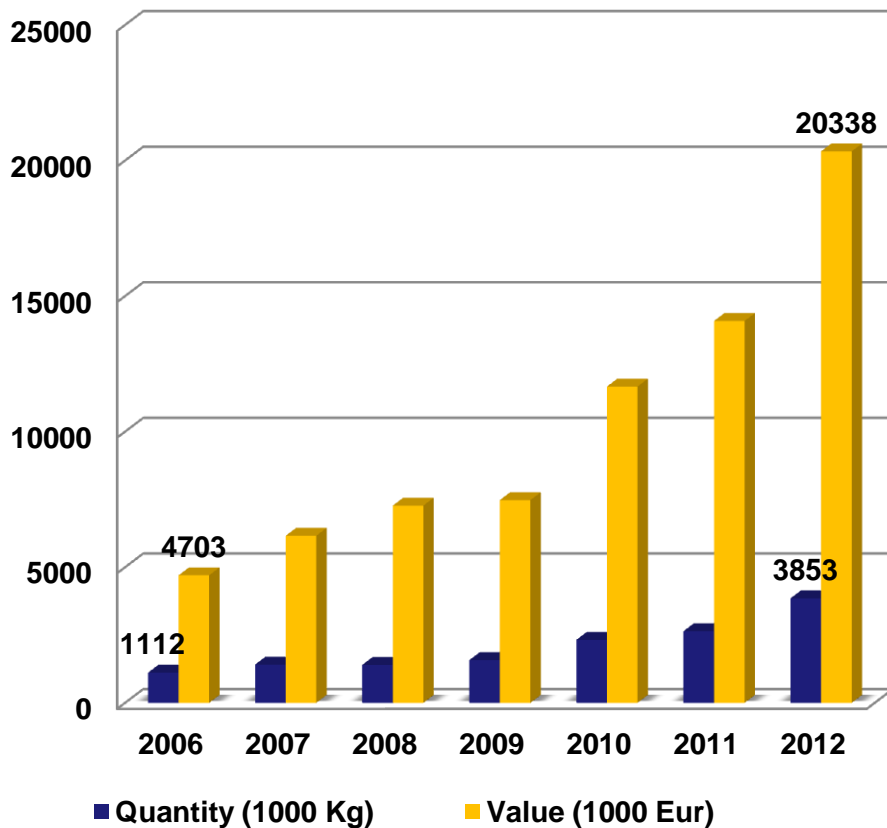
<sup>e</sup>Niacin: excludes precursor form.

<sup>f</sup>Expressed by ascorbic acid.

### Total Export of Cheese to China



## EU 27 Export of Cheese to China



source European Commission Market Access Database, 2013

## Facts and Details

- Y-o-y Gr 2011-2012: +44,4% Exp Value  
+45,9% Exp Quantity
- CAGR 2006-2012: + 27,6% Exp Value  
+ 23% Exp Quantity
- Cheese still represents a niche market in China. Most consumption occurs in larger cities where Western-style food can be found;
- Cheese is widely marketed as a health conscious product to high-income consumers. Although white-collar workers are still the key purchasers, however, families are increasingly turning their attention to cheese for the benefits it brings to children in terms of calcium intake;
- The largest importers of cheese to China are United States, France, Demark, New Zealand and Australia;
- So far, only processed cheese products have penetrated the Chinese market;
- Major players in the market are: Bright Dairy and Food Co, Fonterra Commercial Trading.

## Retail Channel



**Anchor**

• RMB 27.5



**Milkana**

• RMB 65.0



**Kraft**

• RMB 38.5

## Online Retail



**Fonterra**

- Anchor Cheddar Processed Cheese 250g
- RMB 19.80



**Milkana**

- 棒棒奶酪 500g
- RMB 56



**Kraft**

- Philadelphia 250g
- RMB 29.80

**Retail  
Channel**



**Goat Cheese  
100g  
The  
Netherlands  
RMB 11.90**



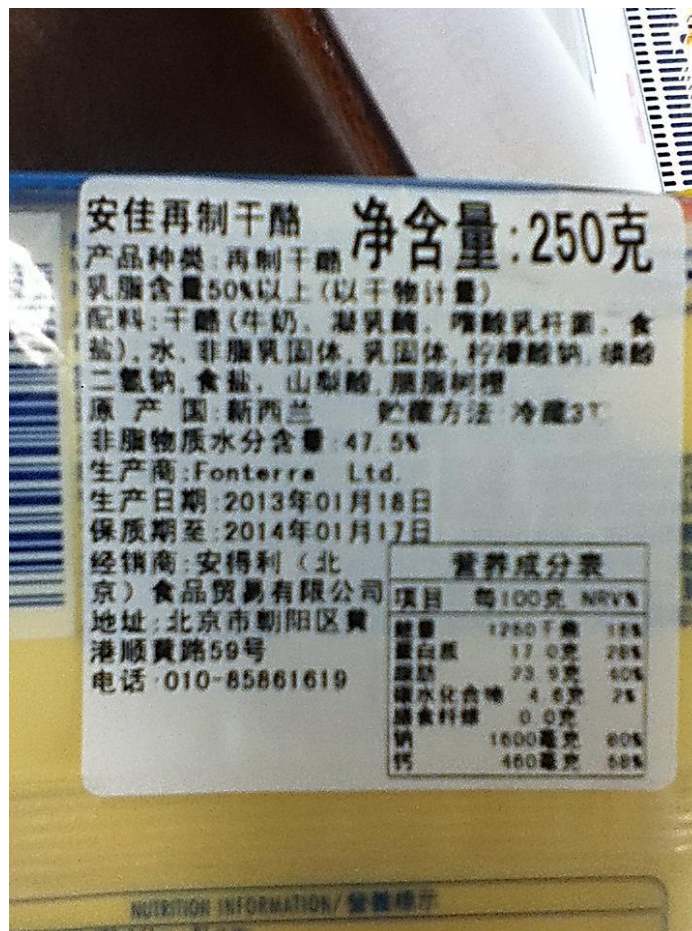
**Wine Cured  
Goat Cheese  
100g  
Spain  
RMB 31.85**



Fonterra

Anchor  
Cheddar  
Processed  
Cheese 250g

900 g



- National Standard: GB 5420-2010 Cheese

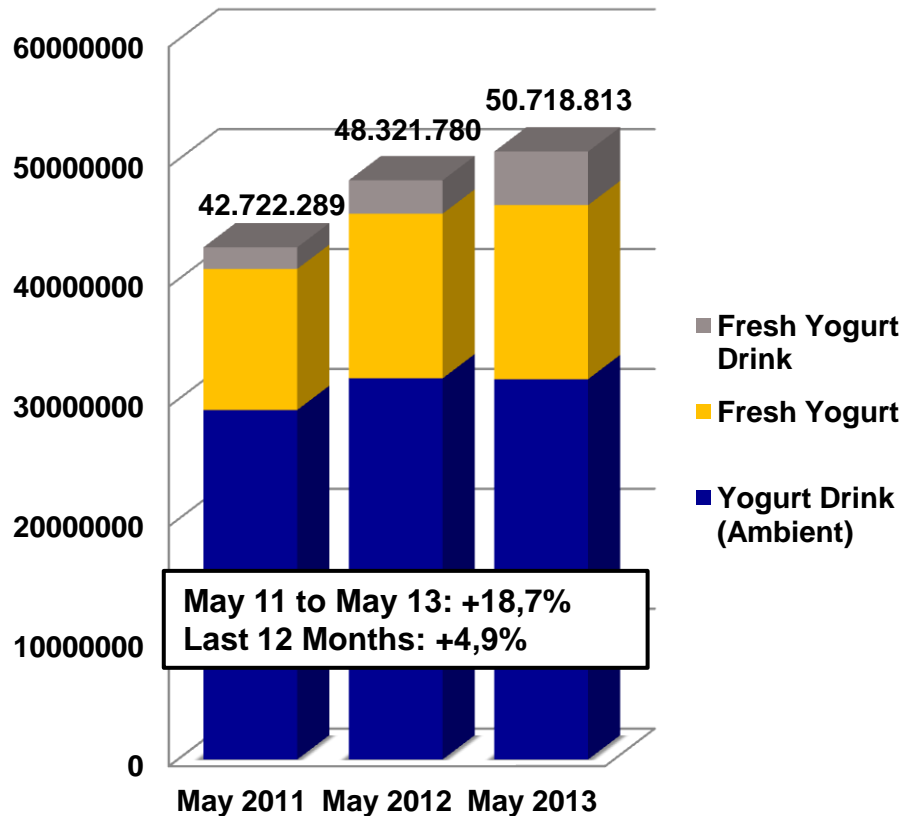
Item	Plan of Sampling and Limit
<b>Coliform</b>	n=5, c=2, m=100 cfu/g, M=1000 cfu/g
<b>Staphylococcus aureus</b>	n=5, c=2, m=100 cfu/g, M=1000 cfu/g
<b>Salmonella</b>	n=5, c=0, m=0 cfu/25g
<b>Listeria monocytogenes</b>	n=5, c=0, m=0 cfu/25g
<b>Yeast<sup>a</sup>/(cfu/g)</b>	50
<b>Fungi<sup>a</sup>/(cfu/g)</b>	50

<sup>a</sup>mold ripened cheese is not included.

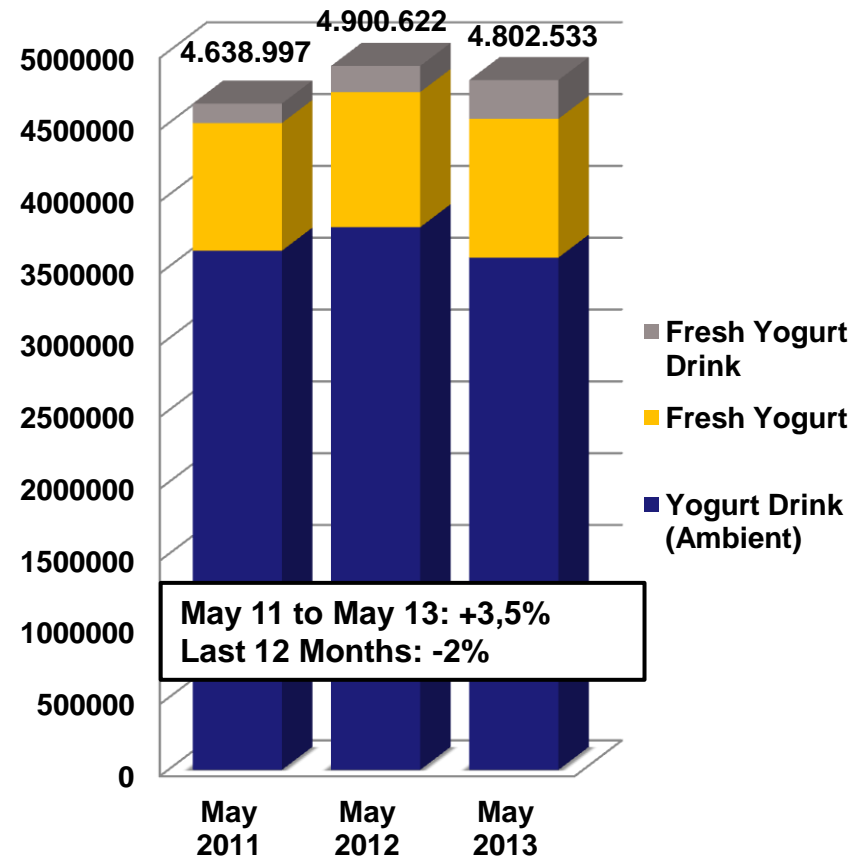
# Market Size

## Breakdown by Product: Yogurt

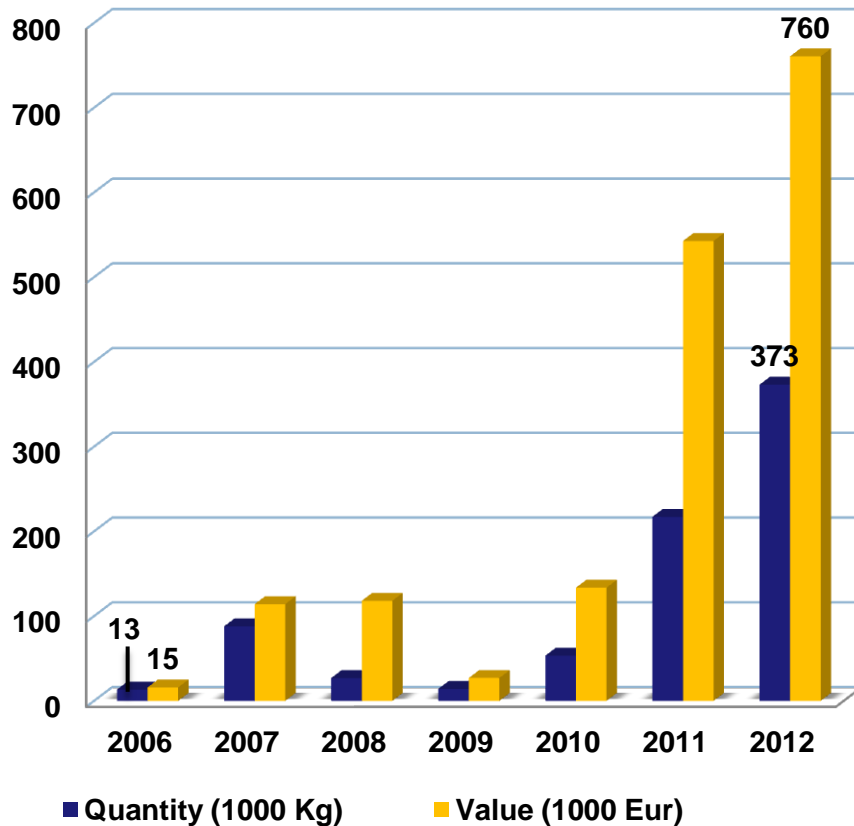
**Sales Value (1000 RMB)**



**Sales Volume (1000 litre)**



## EU 27 Export of Yogurt to China



## Facts and Details

- Y-o-y Gr 2011-2012: +40,1% Exp Value  
+71,7% Exp Quantity
- CAGR 2006-2012: +90,6% Exp Value  
+74,3% Exp Quantity
- Drinking yogurt registers higher value sales as Chinese consumer consider it more convenient than spoonable yogurt;
- Functional yogurts (i.e. pre-biotic and probiotic varieties) and other health and wellness yogurts are increasingly gaining popularity in the Chinese market;
- Major players in the market are: Mengniu, Wahaha, Bright Dairy and Food Co, Yili.
- National Standard: **GB 2746-199**.

## Retail Channel



**Bright**

• RMB 56.3



**Mengniu**

• RMB 36.2



**Emmi**

• RMB 7.9

## Online Retail



**Bright**

- Mosilian 190g x 12
- RMB 58.8



**Mengniu**

- Suansuanru 250ml x 24
- RMB 45.3



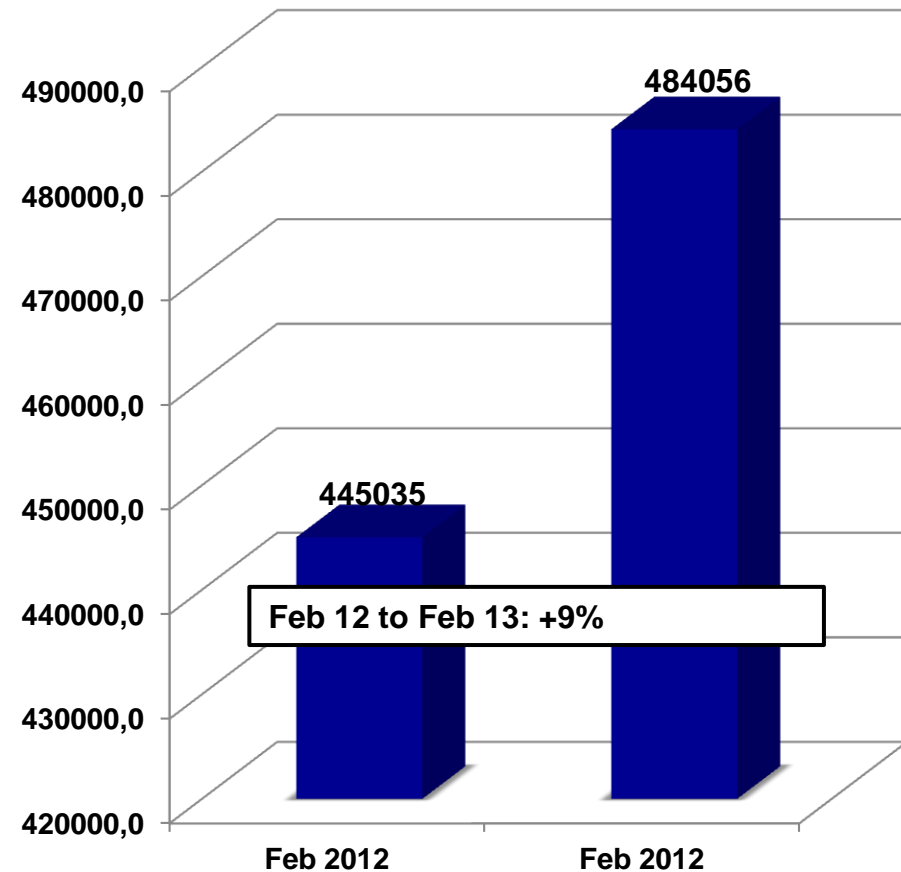
**Emmi**

- Swiss Premium yogurt low fat 1.6%, 100 g
- RMB 7.6

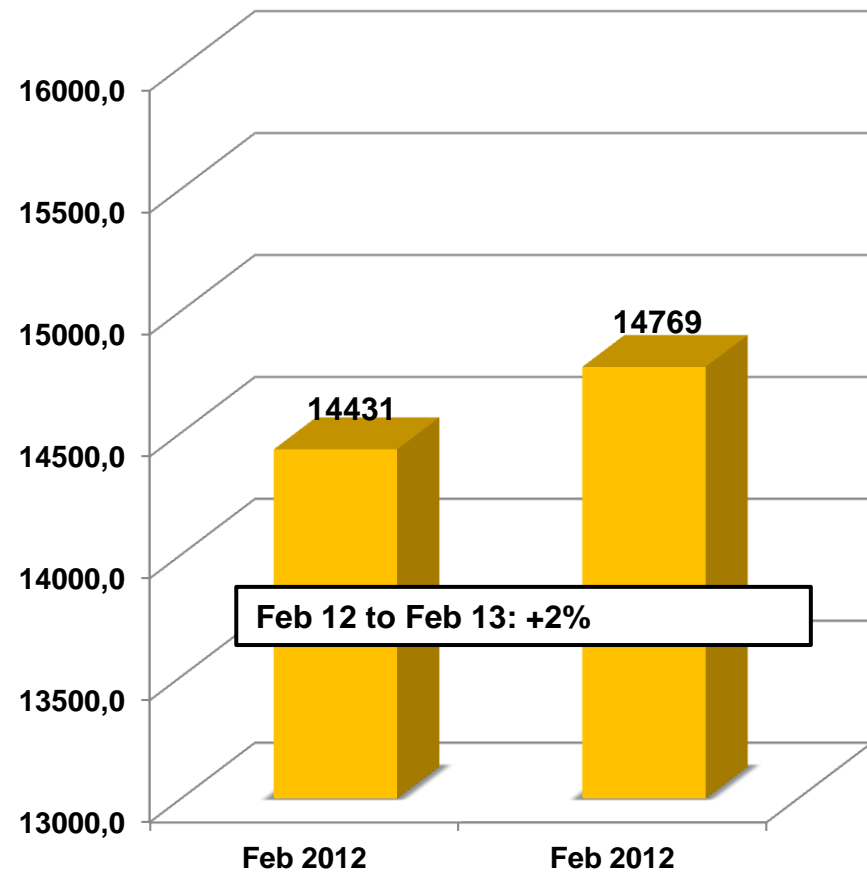
# Breakdown by Product

## Ice Cream

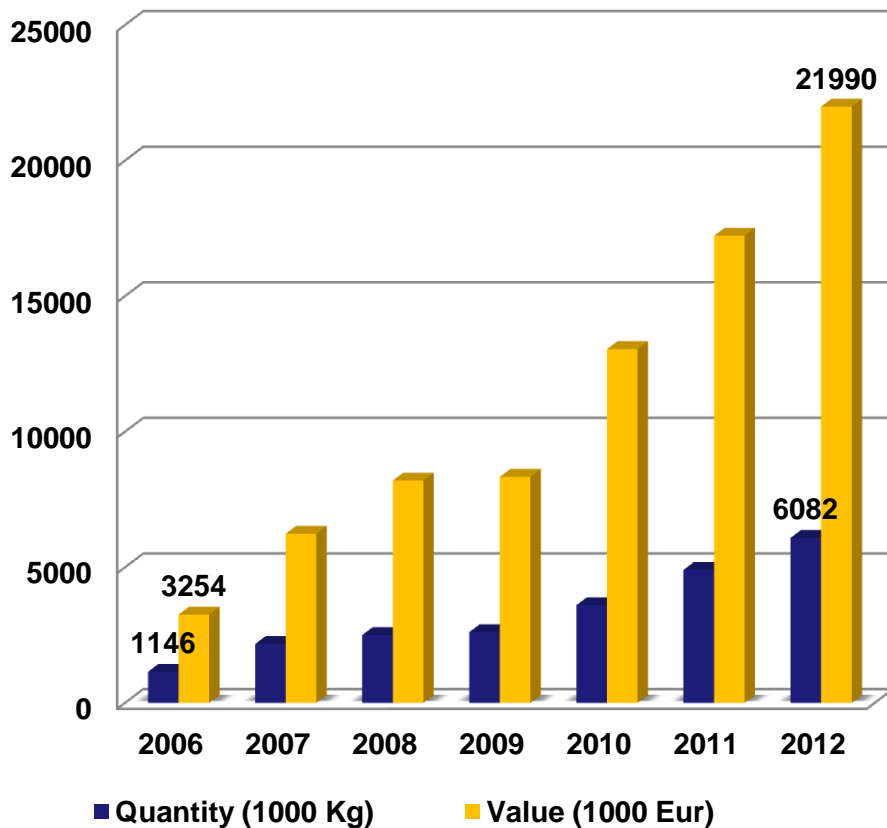
**Sales Value (1000 RMB)**



**Sales Volume (1000 litre)**



## EU 27 Export of Ice Cream to China



## Facts and Details

- Y-o-y Gr 2011-2012: +27,6% Exp Value  
+24% Exp Quantity
- CAGR 2006-2012: +37,4% Exp Value  
+32% Exp Quantity
- The higher demand for impulse and indulgence products stimulated the growth of ice cream sales in 2012. Due to rising disposable income and improving purchasing power, more consumers are willing to buy indulgence products;
- Developing healthy eating trend will determine the future growth of the ice-cream sector in China. The product, indeed, is considered as unhealthy (due to fat and sugar content, and additives, artificial colours etc. etc.), and the spread of awareness of food health and safety may drive consumers towards perceived healthier alternatives.
- Professional Standard: **SB/T 10013-2008 Frozeb drinks-Ice cream.**

## Retail Channel



### Walls

- Cornetto (flavour chocolate) 67g\*6
- RMB 15.8



### Yili

- Qiaolezi (flavour plain )80g\*6
- RMB 14.4



### Allied Faxi Food

- Baxi (flavour mix) 60g\*6
- RMB 24.2

## Online Retail

- Impossible to retrieve data. Product not sold on-line due to storage and delivery constraints.



# Dairy Products Market in China

## Opportunities and Challenges

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### Opportunities

- Consumption of dairy products can be expected to continue rising in absolute terms in the future;
- Rising incomes and the spread of food safety awareness will drive the future demand for dairy product China;
- EU brands enjoy high recognition in China;
- New dairy products recently introduced in the market (soft cheese and semi-soft cheese, dairy based frozen products etc. etc.) are performing well.

### Challenges

- High costs associated with establishing infrastructure and distribution channels;
- The market is still fragmented;
- Fierce competition by local actors;
- Years after the melamine scandal, Chinese brands are slowly regaining market confidence.

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**Relevant Exhibitions**



CHINA  
DairyTek

## DairyTek China 2013

- **Time:** July 17 to 19, 2013
- **Venue:** Shanghai New International Expo Centre (SNIEC), 2345 Long Yang Road, Pudong Area, Shanghai, 201204, China.
- **Organizer:** China International Exhibitions (CIE)
- **Contact:** Uly Liu; Vicky Leung;
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  - [vicky@chinaallworld.com](mailto:vicky@chinaallworld.com)



FHC CHINA

## FHC China 2013

- **Time:** November 13 to 15, 2013
- **Venue:** Shanghai New International Expo Centre (SNIEC), 2345 Long Yang Road, Pudong Area, Shanghai, 201204, China
- **Organizer:** China International Exhibitions (CIE)
- **Contact:** Ms Lily Zhu / Ms Becky Sun
- **Tel:** +86-21-6209 5209
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SIAL

The Asian Food Marketplace  
China

## Sial China 2014

- **Time:** May 13 to 15, 2014
- **Venue:** Shanghai New International Expo Centre Hall N1-N5 & E5-E7
- **Organizer:** Comexposium
- **Contact:** Ms Mia Wang
- **E-mail:**
  - [mia.wang@comexposium-sh.com](mailto:mia.wang@comexposium-sh.com)

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**Relevant Institutions  
Supporting Agencies**

Name of the Institution	Website
Ministry of Agriculture of the PRC	<a href="http://english.agri.gov.cn/">http://english.agri.gov.cn/</a>
National Health and Family Planning Commission of China	<a href="http://www.npfpc.gov.cn/">http://www.npfpc.gov.cn/</a>
Dairy Association of China	<a href="http://www.dac.com.cn/">http://www.dac.com.cn/</a>
EU SME Centre	<a href="http://www.eusmecentre.org.cn/">http://www.eusmecentre.org.cn/</a>
China IPR SME Helpdesk	<a href="http://www.china-iprhelpdesk.eu">http://www.china-iprhelpdesk.eu</a>
Network of Chambers of Commerce in China	



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