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New report



3A Business Consulting



SHAINWRIGHT
CONSULTING AND RESEARCH GROUP PTY LTD

**A strategic
overview of Asian
dairy industry
developments and
major Asian dairy
companies**

A strategic overview of Asian dairy industry developments and major Asian dairy companies

A new report on the Asian dairy industry reveals the enormous changes that are currently taking place in consumption of milk and dairy products and also in milk production.

The report profiles 50 leading Asian dairy companies and a selection of Western dairy companies operating in Asia, including their strategic alliances.

Region- and country-wise the following areas are given comprehensive coverage:

- Indian Sub-continent: India, Pakistan, Sri Lanka, Nepal, Bangladesh
- China: PR China (including Hong Kong)
- Northeast Asia: Japan, South Korea, Taiwan
- Southeast Asia: Singapore, Malaysia, Philippines, Indonesia, Thailand
- Indo-China: Vietnam, Burma, Cambodia, Laos

The growth in milk consumption and milk production is by far exceeding what is seen in the Western world and the sophistication in consumption and technology in e.g. Japan is matching that of any country in the West.

The report discuss issues such as:

- Regional strides towards self-sufficiency – what will the role be for dairy imports from external sources versus intra-regional supply
- Consumption and production approaching equilibrium – will the region have the capability to lift its technological knowhow to present product in quality and innovation terms that the consumers accept as standard from western supply sources
- A downward trend in overall regional milk and dairy product imports as a share of dairy consumption – this will be apparent in some classes of dairy imports, but what sorts of products will suffer? Will high value-added, high quality dairy products continue to be imported with the local producers confined to the more intensely competitive, low priced, undifferentiated, mainstream product categories
- A vastly expanding opportunity that is emerging for the development of intra-regional trade – will trade blocs arise that effectively constrain western dairy interest

Major stakes are at play in the Asian dairy industry. Firstly it is possible clearly to identify major Asian dairy and food companies that want to play a major regional role. Secondly some very strong national players are emerging as in the case of PR China and thirdly some of the multinational dairy and food companies are keen on getting their share of the market.

The report contains over 300 pages and can be purchased at a cost of US\$ 3,500. For further information:

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1. Scope and objectives of the report

Understanding the changing nature of the Asian dairy industry:

The landscape of the Asian dairy industry is undergoing change. This is due to a number of issues, including:

- Increased milk production in those Asian countries where milk production has established itself as a significant industry
- Growth in milk and dairy product consumption underpinned by factors such as increased market affluence, changing dietary preferences, improved distribution and market penetration, product offerings tailored to Asian preferences, new and emerging markets within Asia (eg Indo-China), new market channels (eg fast food)
- A strongly established and yet further growing presence throughout Asia by multinational dairy companies
- Local dairy companies confidently extending their presence in the dairy industry
- Generally few barriers to market entry
- A buoyant mood about the future of the dairy industry in Asia

Country coverage

- Indian Sub-continent: India, Pakistan, Sri Lanka, Nepal, Bangladesh
- China: PR China (including Hong Kong)
- Northeast Asia: Japan, South Korea, Taiwan
- Southeast Asia: Singapore, Malaysia, Philippines, Indonesia, Thailand
- Indo-China: Vietnam, Burma, Cambodia, Laos

Points of analysis

- Asia's demographic and economic development
- Food consumption and retailing in Asia
- Dairy production and dairy markets
- Profiling of Asian dairy companies
- Profiling of Western dairy companies operating in Asia
- Market development characteristics and future demand patterns
- Strategic issues arising and strategic conclusions

Time frame

- Historical and current 2003 figures
- Future: 2010 estimates

Price and timing

- US\$ 3,500
- Report available November 2004

2. Report content

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3. Sample from report

Background

Asia has long been recognised as a minor consumer of milk and dairy products. Indeed, per capita consumption of milk in most Asian countries significantly lags that experienced in temperate nations that have a strong history, tradition and culture of milk and dairy product consumption.

Notwithstanding such a perspective, there are some highlights in terms of the Asian dairy industry:

- India has recently eclipsed the United States of America as the world's single largest milk producing nation
- China is a large and growing dairy consumer with annual volume milk production growth measured around 8%, milk and dairy consumption outpacing growth in domestic availability, and a high level of interest from dairy companies from around the world in supplying imported product and forming alliances. Recent events include significant exports of dairy cattle to China from New Zealand and Australia in an effort to help with herd improvement objectives
- Japan has for some time experienced strong growth in milk and dairy products consumption. This market expansion has given some impetus to a leading global position that the Japanese dairy industry takes in terms of product sectors and technologies (fermented milk drinks, whey processing technology, bioactive peptides, lactose derivatives), product applications (ACE-I, orally administered therapeutics), etc.
- The Asian theatre has a strong background in recombined milk and dairy products. Since the 1960s, recombination plants have flourished throughout Asia, with many very large operations evident today. The recombining technology underpins the import dependence of many Asian countries for milk and dairy products, and has extended more recently from a tradition of ambient shelf stable products into fresh chilled milk and related beverage product offerings
- The infant formulae market is large and growing throughout Asia. Some countries eg Philippines, Indonesia, Taiwan have large infant formula assembly and packaging plants, and the activities of multinational corporations eg Nestle, Wyeth, Mead Johnson as well as strong local identities eg Wei Chuan reflect the range of interest in market participation
- Regional Asian dairy companies are becoming increasingly evident. These include organizations such as Fraser and Neave (Singapore) and Yakult Honsha (Japan) that have taken their aspirations for growth and development offshore with a strong intra-Asian dependence

Asia – General overview of phases in dairy development

Phase	Countries	General characteristics
1. Poorly developed	Laos, Cambodia, Myanmar	Fragmented, smallholder production, low consumption levels, virtually no value-adding
2. Emerging	The Philippines, Nepal, Sri Lanka, Bangladesh, Pakistan, Indonesia, PR China, Vietnam, India [2]	Growth in consumption, import trade established, quality becoming important, driven by urbanisation, more organized milk collection, undeveloped cold chain, recombined dairy industry, low level of value-adding
3. Developed	Thailand, Malaysia, South Korea, Taiwan [3]	Dairy starts to usurp traditional dietary staples, more efficient farming sector, western-style supermarkets, emergence of higher value-added products with quality discernment
4. Advancing	Singapore, Hong Kong (SAR)	High per capita consumption, strong urban consumption, decline in local production [1], high value-added, full product range
5. Extremely well developed	Japan	Major platform of product differentiation, discerning buyers, well established functional dairy ingredients market, emphasis on fresh, quality is paramount

Notes: [1] In Singapore and Hong Kong (SAR)'s case, local production is negligible. However other countries that have passed through this phase (eg Japan) have maintained a dairy-producing sector
 [2] Some countries (eg PR China, Vietnam) could be considered in transition and moving up the scale to the next phase. Conversely, other countries (eg the Philippines) are in danger of slipping back – certainly the Philippines' dairy production sector has gone backwards, and could be considered (at best) poorly developed
 [3] In particular, South Korea could be considered to be in transition to the next phase

Source: 3A Business Consulting/Shainwright Consulting and Research Group

The region is expected to undergo continuing growth in both milk production and dairy consumption. The following analysis allows us to determine the regional and country-by-country trade potential – i.e. the gap between forecast local production and growth in domestic consumption, based on moderate population projections and growth in per capita consumption. Thus, estimates through to 2010 are highlighted by the following data.

Guangdong Yangtang Dairy Company – PR China

Yangtze Shahe
Guangzhou
Guangdong 510507
PR China

Telephone: +86-20-8770 5560
Facsimile: +86-20-8770 0451
Website: n.a.

- Established in 1956, the Guangdong Yantang Dairy Company is a State Corporation, and was the first dairy processing operation established in Guangzhou metropolitan city
- The business developed through forward vertical integration of a large dairy farm, and has evolved over subsequent years by expanding with increased milk availability and with market growth to become the largest milk processor in Southern PR China, with daily milk intake exceeding 130 tonnes, and supplemented by bulk dairy materials for recombining
- In addition to securing milk from its own farm enterprises, Guangdong Yantang has arrangements to source raw milk from up to a dozen co-operative farms in the province
- With sales of CNY30 million in the late 1980s, the company has a clear target of achieving CNY3 billion gross revenue by 2005
- The company has a clear focus on servicing local markets, including Guangzhou City and the Zhujiang Delta
- The company's product range comprises:
 - Fresh chilled product – all pasteurised, and including regular milk (210 ml glass bottle, 7 day shelf life), plain and flavoured milk (200 ml plastic pouch, 3 day shelf life), plain and flavoured milk and drinking yoghurt (236 ml and 946 ml gable cartons), standard and low fat European style yoghurts (plain & flavoured, 150 ml plastic cup), and fermented milk drinks
 - UHT products – includes a range of plain and flavoured milks, soy milk, drinking yoghurt (all in aseptic paperboard) and sterilised plain milk (150 ml plastic bottles)
- Initiatives undertaken by the company to expand its product range and tap into emerging market trends include the commercialisation of low fat drinking yoghurt and low fat set yoghurts
- In order to maintain product supply, Guangdong Yangtang also procures bulk dairy materials from local and imported sources:
 - Wholemilk powder, standard 26% milk fat – mainly used in manufacture of UHT products
 - Sweet whey powder – a source of milk solids for yoghurt production
 - Anhydrous milk fat – used in recombining
 - Non-fat milk powder – for yoghurt and fermented milk drink manufacture, and for standardisation of local milk supply

4. Authors' biographies – “credentials”:

3A Business Consulting

3A Business Consulting is a Danish food & drink industry strategic business and marketing consultancy working with all elements in the value chain. 3A is involved in strategy and business development projects with Scandinavian and international companies as clients. 3A is a network based consultancy working together with major European contract research organisations and associated consultants.

Examples of 3A projects include:

- Strategy platform for value-added dairy ingredients for major food and dairy company
- Strategy development for nutraceutical ingredients for global food ingredients company
- Survey of European dairy industry for US-based dairy and food equipment manufacturer
- Benchmarking study of dairy and meat industries
- Feasibility study for a new dairy company in South America
- Global marketing and production of whey products – report 2003

Shainwright Consulting and Research Group Pty Ltd

Shainwright Consulting and Research Group Pty Ltd is an Australian company that specialises in agribusiness consulting and research. With a strong background in the international dairy industry, the company has completed numerous global and regional strategic industry studies, market analyses, and business planning assignments. An overwhelming majority of these have been in the Asian theatre, and have included leading edge marketing and business development projects in such areas as:

- Dairy nutraceuticals
- Dairy cosmeceuticals
- Opportunities for developing a bioactive cheese positioning
- Whey derivatives and market applications
- Longitudinal dairy pricing studies
- Dairy company case studies

Key project personnel:

Tage Affertsholt, M.Sc.

Since establishing 3A Business Consulting in 1994 and as Managing Partner, Tage Affertsholt has mainly been engaged in strategy and business development issues in the food and drink industries including market assessment opportunities for food and dairy businesses. Tage Affertsholt has held a number of management positions including directorships in a number of Danish and European companies including Arla Foods, Express Foods and Norsk Hydro. In Singapore he has also held regional responsibility for the Far East on behalf of Express Foods.

Wayne Whiting MPhil, MBus, BAgEc, BCA, FRGS

Wayne Whiting is Managing Director of Shainwright Consulting and Research Group, an organization founded in 1999. He is an international dairy marketing and business development specialist with experience in the dairy ingredients, consumer and food service sectors. Based in Australia, he has over 25 years involvement in the food industry. Much of this was with large trans-national dairy organizations, rising to Divisional General Manager of a large Asian dairy company. Wayne Whiting's experience includes residential assignments in New Zealand, Australia, Bahrain and Malaysia, and numerous successfully completed projects through Asia.



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