
(Sample)

Huidian Research

Publication Date: July 2013
3. Development Status Quo of Infant Formula Milk Powder Industry in China

3.1 Concentration Ratio

In 2011, there were 715 manufacturing enterprises of dairy products in China, among which, there were 119 manufacturing enterprises of infant formula milk powder, which mainly concentrated in Heilongjiang, Inner Mongolia, Xinjiang, Hebei, Shandong, Shaanxi and Sichuan etc. Among the concentrated regions, Heilongjiang, Inner Mongolia, Xinjiang are the major concentration places of infant formula milk powder output with the output respectively of 29%, 23% and 18%.

The domestic infant food industry is in the rapid development stage. In 2012, the cumulative shares of the top five brands nearly reached 60% in China's infant milk powder market. With the increasing competitive market, the concentration ratio of infant milk powder industry is continuously improved.

By the industry clear-up and consolidation and accelerating the construction of milk source bases, the own milk source ratio is expanded and the quality of raw milk is improved; by strengthening and perfecting the corporate management and government monitoring, the quality and safety of dairy products are further improved.

Fig.4 Production Region Concentration Ratio of China’s Infant Formula Milk Powder, 2012

Source: Huidian Research
3.3 Competitive Landscape

3.3.2 Competition of Infant Formula Milk Powder Products at Home and Abroad, 2012

For recent two years, the demand growth rate of the domestic milk powder market especially the infant formula milk powder is very rapid. But for a long-term, the high-end product market of the domestic infant formula milk powder has been dominated by the foreign brands. Among the foreign brands, Mead Johnson, Dumex, Wyeth, Nestle and Abbott occupy the major market shares. Among the top ten brands of infant formula milk powder in China, there are five national brands, namely Yili, Beingmate, Synutra, Yashily and Feihe. Although the national brands crowd into the top ten brands, compared with the annual sales amount of the top five foreign brands of milk powder, namely Mead Johnson, Dumex, Wyeth, Nestle and Abbott, the domestic milk powder market is still dominated by the foreign milk powder.

In 2012, the total shares of the top five foreign milk powder brands nearly reached 60% in China’s infant milk powder market. In the first-tier cities, the foreign milk powder has ranked the leading position since 2004 with the market shares of more than 90%. In the first-tier market, the share of national brand milk powder is only 2%. The majority sales amount of national brand milk powder is from in the market of the second and third-tier cities.

After the Melamine Incidence, the national dairy products enterprises accelerate the production and investment of the infant milk powder, such as Yili, Mengniu and Sanyuan etc. But all of them dodge the competition with the foreign milk powder in the first-tier market and choose to expand the low-cost second and third-tier market. Because of the technology monopoly, the price of milk powder products stay high; the national brands mainly concentrate in the low-end and middle range product market and struggle to fight for the market shares by the price wars or other ways. At present, 80% of the domestic high-end milk powder market is dominated by the foreign brands and the share of national milk powder has shrunk relatively for recent years.

At present, in the infant formula milk powder market, the competition between the foreign brands and national brands is fierce. The foreign brands such as Wyeth, Mead Johnson, and Dumex, entered China’s market in the 1990s and after more than 10 years of development, they have occupied the higher market shares by virtue of their R & D basis, long development history and marketing advantages and become the leading brands in the middle range and high-end product market. With the gradual maturity in the aspects of technology, process, quality, brand building and marketing etc., the national brands begin to launch the high-end infant formula milk powder products one by one and actively take part in the competition in the high-end market, so the leading position of foreign brands faces the huge challenges in the high-end market.
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