Global infant formula products market: estimations and forecasts for production and consumption

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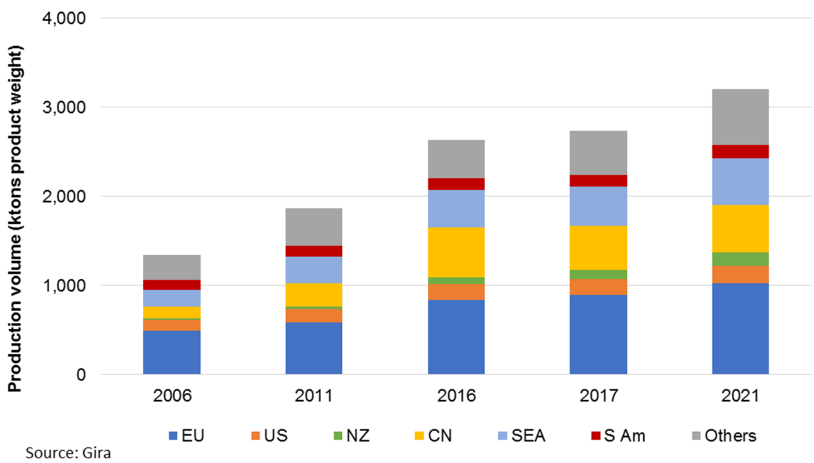
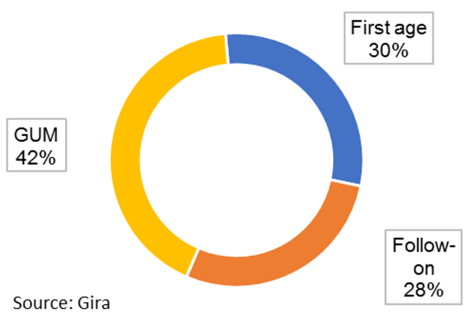
Estimations and forecasts of global infant formula production

In 2017, the **global production of infant formula**[1] is estimated at 2.7 billion tons. This **volume grew by +7.1% p.a. between 2011 and 2016**. But for **2017-2021, Gira forecasts that the production growth will slow down to about 4% p.a.**. This slowdown will concern almost all major producing regions but is expected to be stronger in Europe and in China. By type of product, first stage and second stage infant formula products each account for about 30% of the total production and third stage infant formula products' share is a slightly higher than 40%. The top 5 companies, **Nestlé, Danone, Mead Johnson, Abbott & Friesland Campina**, have a combined **global market share of over 60%**.

Graph 1: Global production of infant formula by region, 2006-2021



Graph 2: Global production of infant formula by type of product, 2017



In 2017, the **EU is the biggest supplier of infant formula** with one third of global volumes, with China and South-East Asia in second and third place respectively.

[1] Gira uses the following definitions for infant formula: 'Infant formula' = all milk-based products for the 0-3 year age range; 'First age' = Stage 1, 0-6 months; 'Follow-on' = Stage 2, 6-12 months; 'GUM' (growing-up milk) = Stage 3, 13-36 months.

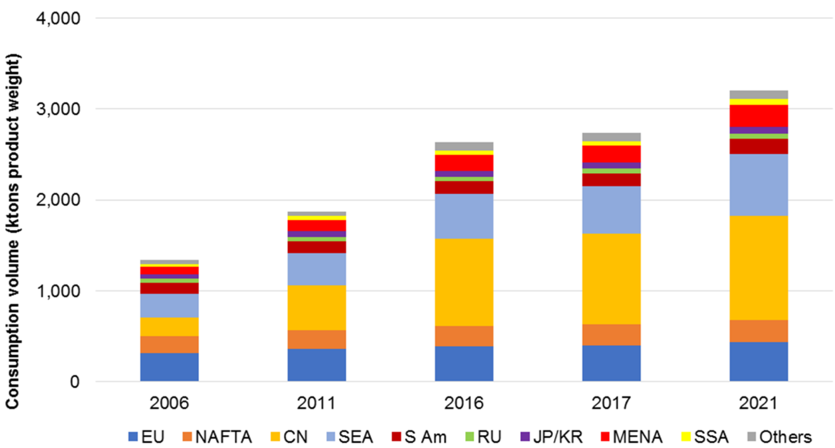
The main producing countries within the EU are France, the Netherlands, Ireland, Germany, Spain and Poland. About 60% of EU production was exported outside the region in 2017. The most active companies are Danone, Nestlé, Abbott and FrieslandCampina. Chinese companies have also invested in ingredient and infant-formula production capacity in France and the Netherlands and have strategic alliances in Denmark and Ireland. **Gira forecasts the EU production to increase by more than 3% p.a. from 2017 to 2021**, as new capacity comes online.

South-East Asia was 85% self-sufficient in infant formula in 2017; the rest was imported from the EU, NZ, Switzerland, etc. The main producing countries within South-East Asia are Indonesia, the Philippines, Thailand, Vietnam and Singapore. The most active companies are Danone, Nestlé and FrieslandCampina, all foreign, and local companies such as Vinamilk (Vietnam). Gira forecasts the South-East Asian production to increase by over 4% p.a. from 2017 to 2021, the biggest increase coming in the third stage segment (growing-up milk powder for children of 1-3 years).

China is the second largest infant formula producer. Almost all Chinese production is consumed within China, with small volumes exported to South-East Asia. **Gira forecasts Chinese infant formula production to grow at about 2% p.a. from 2017 to 2021**, because of the slower consumption growth, the consolidation of domestic infant formula industry and the faster growth rate for imports. With the new infant formula registration policy and the intensified competition on the market, major domestic brands will also strengthen their position on the market and increase their market share.

Estimations and forecasts of global infant formula consumption

Graph 3: Global consumption of infant formula by region, 2006-2021



Source: Gira

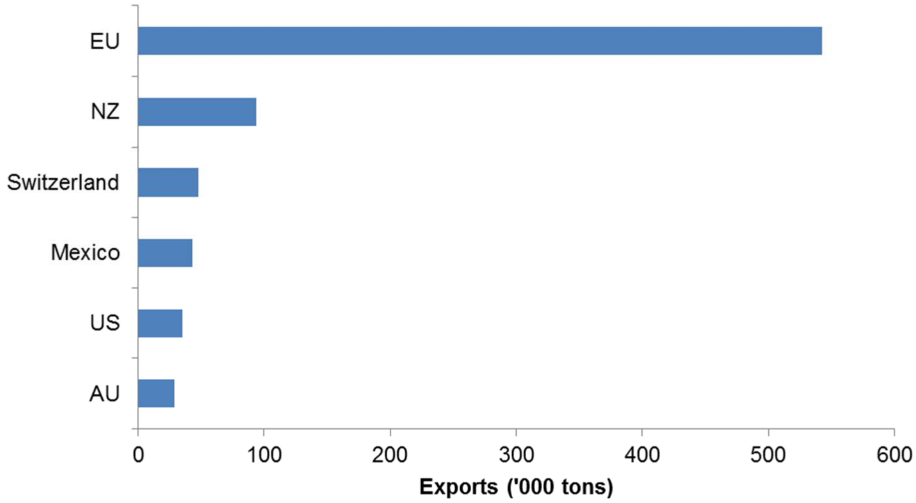
Currently, China, South-East Asia and EU are the largest consumers. From **2017-2021, Gira forecasts that the highest consumption growth rates will be in Sub Saharan Africa, South-East Asia and Middle-East and North Africa**. Chinese consumption will increase at slightly more than 3% p.a., slower than in previous years and at a lower rate than in some forecasts.

For China, we expect that the relaxation of the one-child policy will have a limited impact on the number of births. A number of factors impact negatively on the birth rate, including: the declining number of reproductive-age women, the high cost of raising a child, the lack of social services for low-age (0-3 years) kids, the pressure on female employees, and the shift in mentality in the desire for children among the younger generations. Actually, major developed countries (South Korea, Japan, and Singapore) are all facing the problem of a too low birth rate. Therefore, under the current conditions, even the ending of the one-child policy will at best slow down the decline in birth rate.

Although the breast feeding rate in China is already among the world's lowest, with further urbanisation, there will still be some space for a decrease in the rate of breast feeding. This is a favorable factor for infant formula consumption. However, trends to encourage breastfeeding may also emerge.

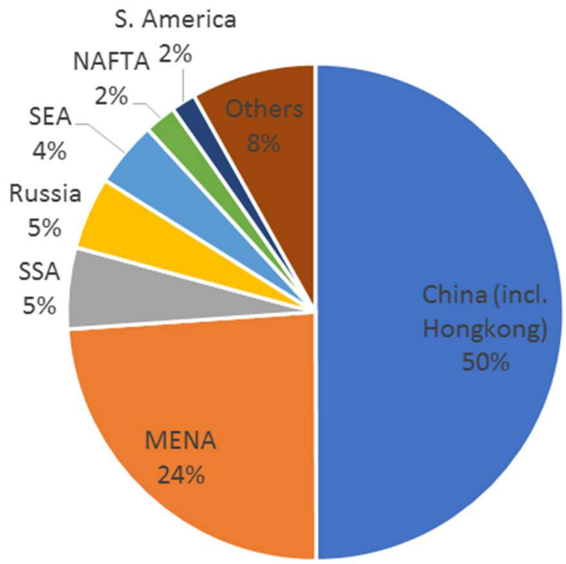
The largest exporter (the EU) and importer (China) of infant formula

Graph 4: Top 6 Exporters of Infant Formula in the World (2017)



Source: Gira based on Trademap, Eurostat

Graph 5: EU Infant Formula Exports by Destination, 2017



Source: Gira based on Eurostat

The **EU is by far the largest exporter**. The other main exporters are: New Zealand, Switzerland, Mexico, the USA and Australia. The main exporting countries of the EU are: Netherlands (33% of the total extra-EU exports), France (23%) and Ireland (16%). Major global companies base their production in these countries.

Between **2012 and 2017, total extra-EU exports have grown at 11% p.a.**. **Exports to China (incl. Hong Kong) have grown at 34% p.a.**, while exports to other extra-EU destinations have grown at 3% p.a.. Export growth during past 5 years is therefore mainly driven by China. In 2017, exports to China account for 50% of total extra-EU exports. The second largest destination for EU infant formula is Middle-East and North Africa countries (24% of total extra-EU exports).

For the second largest exporter New Zealand, about 50% of the exports are destined to Chinese market.

For China, Gira forecast faster growth of imports than of domestic production in the next five years. Many Chinese consumers still have a preference for infant formula of foreign origin. Imports will come from foreign companies as well as from Chinese players who have invested in production capacity abroad. The imported infant formula market will also be more concentrated and top brands will enlarge their market share.

Conclusions

The **global infant formula market** is estimated at 2.7 billion tons in 2017. It is **expected to grow by 4% p.a. from 2017 to 2021**.

The biggest market is China, followed by South-East Asia. The double-digit growth seen in China in the last 10 years will slow down. But from 2017 to 2021, South-East Asia and China will still see the biggest growth in terms of additional volume. Middle-East and North Africa countries will be at the third position but the volume growth will be much smaller compared to the former two regions.

The **EU** will maintain its position as the **world's largest infant formula producer and exporter** (especially the Netherlands, France, Ireland and Germany). A lot of the **global growth** in infant formula production will **come from Chinese companies investing in production capacity outside China**.

Gira is continually analysing the Technical Dairy Ingredients Market as part of its global dairy market research.
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