

World Dairy Companies

Analysis of the Multinational and International Dairy Companies



WORLD DAIRY COMPANIES

- Price: €6,000/\$7,750
- The report contains 540 pages of valuable information about 34 of the leading international/regional/national dairy companies in the world and assessments of the future prospects
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PM FOOD & DAIRY CONSULTING is now publishing of a new major study:

World Dairy Companies – a comparative analysis

The report contains a comprehensive analysis of the major international/regional/national dairy companies in the world. The main focus is on the international dairy companies that operate in several regions of the world with production and marketing of international dairy brands. 14 of the largest multinational and international dairy companies are analyzed in depth in part II of the report. Besides, the report analyzes 20 of the largest regional and national dairy companies in the world.

Background

The world leading dairy companies have undergone a significant transformation in the last two decades from national/regional players to global multinational companies. In 2012, the top 20 dairy companies in the world account for nearly 30% world market value share. They process approximately 160 million MT

milk and this equalizes 22% of the world milk production and 40% of the milk delivered to dairies in the world.

The internationalization of the world dairy industry began in the 1970s for the multinational companies like Nestlé, Unilever, and Kraft Foods and in the 1980s and 1990s for several of the major national dairy companies in Europe like Danone, Lactalis, Bongrain, Bel, Campina, Friesland Foods, MD Foods and New Zealand Dairy Board.

However, the internationalization of the dairy industry escalated in 2000s with the growing demand for dairy products in the emerging dairy markets in Asia, South America, the MENA region and the CIS countries. Through concentration in the domestic regions in Europe and North America a wide range of dairy companies established production in several regions of the world and began to internationalize their brands and products.

The key findings of the report are:

- The report outlines which companies are the leading global manufacturers in the major dairy segments: drinking milk, yoghurt, butter, cheese, milk powder and dairy ingredients.
- The degree of internationalization is often determined by the size of the domestic dairy market and how intense the competition is. This is why the European dairy companies lead the globalization process on the world dairy market.
- The private owned or stock-holding international dairy companies has driven the internationalization further than the international dairy cooperatives. The main reason is that the owners of the cooperatives (dairy farmers) in general are less risk-willing than stock holding companies or privately owned dairy companies. The investments in the emerging dairy markets are often long-term investments that imply establishing on the whole milk supply chain.
- The establishing of production and marketing of western dairy brands on the emerging dairy markets in Asia, Latin America and MEA has been the key to growth for the international dairy companies. The first movers have benefitted most and the second wave of investments will be more costly both in establishing and to gain market shares.
- The large regional and national dairy companies have due to the increased competition from the international dairy companies in their region and domestic markets been forced to focus on a more defensive strategy. This often implies extra investments in innovation and marketing just to defend the company share of the domestic dairy market.

- The concentration of the world dairy industry suffered from the GFC from 2008 until end 2010. From then, the M&A's has regained the momentum and especially the multinational and international dairy companies have been active.

Objective of the report

The objective of the report is:

To analyze the major international dairy companies in the world in relations to the economic and market performance in the last decade and assess their future potential and possibilities on the global dairy market

On the basis of the comprehensive analysis of the world dairy companies the following areas will be analyzed and assessed:

- The economic and market performance of 34 largest dairy companies in the world of which 14 are international players.
- The company strategy and the future prospects for the 34 companies are analyzed.
- Who will be the up-coming stars in the world dairy industry and who will be the losers?
- What is the framework for the world dairy industry from 2013 to 2020 in relation to the development on the world dairy market, dairy policy, and international trade?
- Are there any differences in the performance of dairy cooperatives and private dairy companies?
- What is the most successful way to expand on the world dairy market – specialization or wide product range?
- Which new tendencies in the world dairy industry will be characteristic for the up-and down-stream activities?

Analysis design

The report is focusing on the international dairy companies which operate in several regions of the world or have a large export volume of the total turnover and this is the basic element in the analysis design.

Analysis design: Multinational, international, regional, and national dairy companies

	Characteristic	Companies
Multinational	Global performance and international brands	Nestlé Danone Lactalis Kraft Foods Yakult
International	Production in several regions of the world with regional brands	Fonterra FrieslandCampina Arla Foods Bongrain Sodiaal Bel Groupe Müller Saputo DMK
Regional	Production regional and regional branding + export	Meiji Glanbia Agropur Schreiber Foods LALA
National	National production and sales and for some companies export	Dean Foods Dairy Farmers of America Land O'Lakes California Dairies Brasil Foods LBR (Lacteo Brasil) Itambé SanCor Mengnui Yili Amul Murray Goulburn Tine Valio

Source: PM FOOD & DAIRY CONSULTING

The main focus of the report is on **the multinational and international dairy companies** and they are analyzed comprehensively in all aspects of the company performance. These companies are the pioneers in the development of the global dairy market. They invest in all parts of the value chain in several parts of the world. However, there are few exceptions to mention:

- Unilever is not included in the analysis although the company is among the top-20 dairy companies because the company has a very unclear dairy profile and a large part of the dairy segment is mixed products.
- DMK is analyzed along with the international dairy companies due to the size of the company and the intentions to become an international player.
- Even though Yakult is an international player it is not included in the comprehensive analysis because of the small size of the company.

The regional and national dairy companies are analyzed in relation to the processing and market performance and their future possibilities are assessed.

Content of the report

Part I contains the general analysis of the world dairy industry and comparison of the world large dairy companies. **Chapter 2** gives the overview of the dairy industry in the different regions of the world outlining the major players.

In **chapter 3** the world dairy companies are ranked according to milk intake and turnover and top 20 lists are not the same depending on the parameters. A high score on volume (milk intake) is not equal to high turnover.

The specialization of the companies is identified in **chapter 4**. The major processors of drinking milk, yoghurt, butter, cheese, milk powder, dairy ingredients and infant formula in the world is identified.

The multinational and international dairy companies are analyzed in **chapter 5** on several parameters. The companies are assessed in relation to economic performance, market position globally and the strength of the company brands. Finally, the strategies and organizational resources of the companies are evaluated.

The major regional and national dairy companies are analyzed in **chapter 6**. Their performance is assessed to determine if they are in a position of defending the market position or they are initiating an internationalization process and becoming one of the future international players.

Chapter 7 outlines the framework for the world dairy industry until 2020. How will the supply and demand for milk and dairy products develop in the period? The prospects for the dairy product segments until 2020 are also outlined and this includes drinking milk, yoghurt, butter, cheese, milk powder, dairy ingredients and infant formula. The external factor like the development in the dairy policy in different regions and countries in the future is also analyzed including the impact of the elimination of the EU milk quota system. Finally, the development in the international trade policy including dairy is assessed.

Chapter 8 identifies the new tendencies on the world dairy market in relation to both up-and down-stream activities. The up-stream activities concerns the investments in establishing milk production in the emerging and developed dairy countries by external players and the international dairy companies. Other aspects are the huge investments in expanding the processing capacity and the entering of external players in the dairy segments due to the improved market situation. The down-stream activities include the

increased focus on innovation, product development, consumer information in the emerging dairy countries, marketing and branding. The major tendencies in relation to consumer demand and new markets for the 2010s are also outlined.

On the basis of the individual analysis of 36 major dairy companies in the world and the comparative analysis, the future winners on the global dairy market are outlined in **chapter 9**. This is based PM FOOD & DAIRY CONSULTING's estimates recognizing that on the reality surpass the imagination.

Finally, the report is summarized and concluded in **chapter 10**.

In **Part II** the 34 dairy companies are analyzed and is the basis for the comparative analysis in part I of the report

Extracts from the report:

3. Ranking of the world dairy companies

The world dairy industry has developed significantly in the last two decades with a concentration in large international/regional and national dairy companies. The companies can be ranked in different ways according and this will be analyzed in the following for the top 20 dairy companies in the world.

Turnover

Normally the dairy companies are ranked by turnover from the dairy activities. This is simple to measure for the core dairy companies but more complicated for the broader food companies with a major dairy turnover. For several companies it is difficult to extract the dairy activities exactly so the figures are to some extent estimated.

Global dairy top 20 (2012) by turnover

Rank	Company	Country	Turnover \$ billion	Turnover € billion
1	Danone	France	20.5	16.0
2	Lactalis	France	18.8	14.7
3	Nestle	Switzerland	18.6	14.5
4	Fonterra	New Zealand	15.7	12.3
5	FrieslandCampina	Netherlands	13.1	10.3
6	DFA	USA	13.0	10.2
7	Arla Foods	Denmark/Sweden	10.8	8.5
8	Dean Foods	USA	10.7	8.4
9	Kraft Foods	USA	7.7	6.0
10	Meiji	Japan	7.4	5.8
11	Unilever	Netherlands/UK	7.2	5.6
12	Saputo	Canada	6.6	5.1
13	Müller	Germany	6.0	4.7
14	Mengniu	China	6.0	4.7
15	DMK	Germany	5.9	4.6
16	Yili	China	5.8	4.5
17	Sodiaal	France	5.6	4.4
18	Bongrain	France	5.3	4.1
19	Schreiber Foods	USA	4.5	3.5
20	Land O'Lakes	USA	4.3	3.4
	TOTAL TOP-20		193.5	151.3

Source: Company information, PM FOOD & DAIRY CONSULTING

The top-20 in 2012 by turnover is dominated by dairy companies from Europe (10) and the US (5). Two Chinese dairy companies, Mengniu and Yili are among the top 20 and they are expected to gain a higher ranking in the future due to the fast organic growth and the increasing investments in joint ventures with large international dairy companies. Fonterra is only dairy company from the Southern Hemisphere that is represented in the top 20 and the company has improved the turnover successively in the last decade along with the milk volume processed.

Danone is the leading dairy company followed by Lactalis that has improved the position significantly by the acquisition of Parmalat. Nestlé is third in the dairy segment although it is the world largest food company. In some ranking Nestlé is always number one but in this chart the ice cream segment is not included and the same with water for Danone as many includes.

The European dairy cooperatives, FrieslandCampina and Arla Foods, have improved the position since 2011 due to excellent market performance and several mergers and acquisitions.

In general, the US dairy companies are losing ground in recent years with Dean Foods struggling with huge debt problems and forced divestments. DFA process and handle huge quantities of milk without generating organic growth. Land O'Lakes and Schreiber Foods are on the way to be pushed out of the top-20 due to stagnation in recent years. The major problem with these companies is the limited market (US) focus and no offensive internationalization strategy. Kraft Foods are also suffering from stagnating returns from their cheese business and with the creation of Mondeléz the focus on cheese internationally seems unclear.

Müller has by the acquisition of Wiseman Dairies in the UK surpassed DMK as the highest ranked German dairy company. Sodiaal and Bongrain are also under pressure in the top of the world dairy industry due to stagnation in the last two years.

Several fast growing dairy companies are just below the top-20 are pushing hard to get into the top-ranking. The main contesters are: Lala from Mexico, LBR and Itambé from Brazil, Sancor from Argentina, Murray Goulburn from Australia, Bel from France, Glanbia from Ireland and Valio from Finland.

Milk intake

The ranking of dairy companies in accordance to the milk intake gives a slightly different picture with some new companies entering the top-20 list.

7. Future framework for the dairy industry

This chapter outlines the expectations for the development of the framework for the world dairy industry until 2020. This includes assessment of the market development in relation to the supply and demand situation and evaluation of the major dairy product categories. The changes in the dairy policies in the different regions are also analyzed because this can change the opportunities significantly and this includes also international trade agreements.

7.1 Supply and demand

In the last decade the supply and demand situation on the world dairy markets changed significantly with a fast growing demand for dairy products in Asia, South America and MENA and the global milk supply could periodically not fulfill it. This was opposite the situation from 1970s to the change of the millennium where there was constantly oversupply of milk in the world. There were huge intervention stocks of SMP, butter and cheese in EU and the US. EU implemented the milk quota system in 1984 and the US used several

measures like whole herd buyout programs to stabilize the supply. These measures created a more balanced situation at the end of the 1990s and the improved demand in the 2000s created higher world market prices and optimism in the dairy industry.

Will this positive development continue in the 2010s? From 2010 until 2013 it has in general continued with high prices and growing demand but there have been periods with sluggish demand and declining prices. This is however a natural result of the liberalized dairy markets that creates a higher degree of volatility but this is not hampering the general positive trend.

7.2 Supply and demand 2013-2020

The demand for dairy products is expected to continue the positive development from 2013 to 2020. Population growth, economic growth especially in the emerging economies, and urbanization are very robust drivers of global demand.....

Example: Company analysis:



Lactalis

Introduction

Lactalis is the largest dairy company in France and the second largest dairy company in the world. It is a family owned company (Besnier), and in last two decades the company has grown significantly on the international scene. Today, more than 60% of the revenue comes from export and external activities. Lactalis is producing the whole range of dairy products, but the major products are butter and cheese under the strong brand, President.

Historical background

André Besnier started making cheese in Laval, France, in 1933, and within a year added milk and butter to his business. Besnier's operations expanded during the next 15 years. In 1947 Besnier's business took the name Société Laitière de Laval A. Besnier et Cie.

In the early 1950s the company won awards for its butter and started selling milk in one-liter bottles. André Besnier died in 1954 and his son Michel assumed control of the company. The company shortened its name to Société Laitière Besnier in 1961. The next year Besnier entered the yogurt business.

Besnier started selling its products in hypermarkets in 1963. That year it went public. The company purchased dairy Laitière de Villevêque in 1964. Besnier launched its famed Président brand in 1968.

Besnier bought dairy Gaston Amy in 1976, which would produce the company's first goat's milk cheese. In 1981 Besnier bought its first non-French company, US cheese producer Belmont. In 1984 Besnier acquired a 45% stake in dairy GIE Lactet; it acquired the rest, including the Lactel and BÂ brands, in 1988.

Besnier took over Groupe Bidel, including the Lanquetot operations and brand in 1990. That year it also bought UK dairy company David Brough (renamed Besnier UK). In 1991 Besnier bought Perrier's dairy operations, including cheese producer Valmont and yogurt maker Jean Jacques. In 1992 Besnier acquired a 58% stake in Caves de Roquefort from Nestlé (which included US cheese maker Sorrento). A year later, Besnier celebrated the sale of its billionth unit of Président cheese.

The company changed its name to Groupe Lactalis in 1999. The name change coincided with the purchase of US cheese producer Simplot Dairy Products, which Groupe Lactalis eventually renamed Sorrento Lactalis. The acquisition doubled US sales for Groupe Lactalis. Emmanuel Besnier took charge of the company following the death of his father, Michel, in 2000.

Growth through acquisition marked 2004. That year Lactalis purchased FoodMaster (dairy products, Kazakhstan and Moldova), Fromageries Pochat et Fils (soft cheese, France), and McLellands (Seriously Strong branded cheddar cheese, UK). Following that strategy, Lactalis began 2005 with the purchase of French cheese maker Pochat.

Still expanding internationally, the company bought #1 Italian cheese maker Egidio Galbani, from investment firm BC Partners in 2006; it also acquired French dairy Celia, which rings up more than half of its sales from exports, mainly to Algeria and West Africa.

Lactalis formed a fresh dairy joint venture with food juggernaut Nestlé that year as well. The 60 (Lactalis)-40 (Nestlé) operation, Lactalis Nestlé Produits Frais, which covers nine European countries - France, Belgium, Luxembourg, the UK, Ireland, Spain, Italy, Portugal, and Switzerland, made Lactalis a player in the world dairy industry, right up there with Nestlé, of course, as well as the US's Dean Foods and France's Danone).

In 2007 the company continued to expand its foreign market with the acquisition of 91% of Croation dairy company, Dukat, for \$370 million. It also bought cheese importer, Denmark's Delimo, from Arla Foods. The acquisition made good business sense since Lactalis already owned Galbani, an Italian supplier of Delimo.

Lactalis earned the title of the world's largest producer of dairy products in mid-2011, when it acquired a majority stake in Italian dairy manufacturer Parmalat through a series of stock purchases.

Basic information

Key data for Lactalis (2011)

Lactalis	10, rue Adolphe Beck 53089 Laval cedex 9 France
Chairman	Emmanuel Besnier
CEO	Daniel Jaouen
Employees	54,680
Milk intake	14,5 million MT
Total assets	
Annual turnover	2012: €15 billion 2011:€14.7 billion inclusive Parmalat
Products (dairy related)	Drinking milk, yoghurt, butter, cheese, milk powder, dairy ingredients, baby food and animal feed
World ranking	No 2 in dairy products worldwide No 1 in cheese in the world 15 th largest agri-food business worldwide

Source: Company homepage, annual reports

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