

INTERNATIONALISATION STRIDES AHEAD

According to a new study* of the leading dairy companies in the world, there has been a transformation in the past two decades, with the leading 20 companies accounting for about nearl 30% of world value share, processing between them 160m tonnes of milk, which is 22% of world milk production and 40% of milk deliveries. Tye report says the internationalisation of the industry began in the 1970s for Nestlé, Unilever and Kraft; in the 1980s and 1990s, they were joined by Danone, Lactalis, Bongrain, Bel, Campina, Friesland and MD Foods (now Arla). But internationalisation escalated in the 2000s.

The degree of internationalisation has often been determined by ther size of domestic markets, which is why European companies have led the process.

The report says the private and stock-holding companies have driven this move because the owners of co-ops are generally less risk-taking. The marketing of western dairy brands have been the key to growth and the first movers have benefitted most with the second wave of investments will be more costly.

The report analyses the market performance of the top 34 dairy companies in the world—13 of which are based in Europe, eight in North America, five in Latin America, two each in Japan, China and Australasia and one in India.

The report analyses strategy and future prospects; who are the up-and-comers and who are the likely losers; what are differences between the co-ops and the privates.

The report says the US companies have lost ground in recent years, with Dean Foods

YOGURT PRODUCTION	
	'000t
1. Danone	6,000
2. GM/Yoplait	1,200
3. Nestlé	900
4. Yakult	850
5. Lactalis	840
6. F/C	700
7. WMD/Pepsi	680
8. Müller	580
9. Wahaha	550
10. Fonterra	460
11. Chobani	450
12. Mengniu	400
13. Bright Dairy	380
14. Ehrmann	380
15. Yili	300
16. Meiji	280
17. Dean	250
18. Zott	250
19. Arla	230
20. Valio	200

struggling with huge debts and forced divestments; DFA handle huge volumes of milk without generating organic growth; Land O'Lakes and Shreiber Foods are on the way to being pushed out of the top 20 due to stagnation in recent years; and even Kraft are stagnating. The major problem for these companies is the limited US market and no offensive internationalisation strategy. The report says several fast-growing companies are pressing

MAIN INTERNATIONAL LIQUID MILK PROCESSORS

	Prod m litres	Countries where they operate
1. Dean Foods	6,800	US
2. Arla Foods	5,150	Den, Swe, UK, Ger, Neth, Fin
3. Mengnui	4,150	China
4. Lactalis	3,900	Eur, Can, Col, Aust, SA, CIS
5. Yili	3,700	China
6. Müller	2,400	Ger, UK
7. Nestlé	1,500	S Amer, Asia, Africa
8. Sodiaal	1,400	Fr, Belg
9. Fries/Camp	1,050	Ger, Neth, Belg, Phil
10. DMK	1,050	Ger

WORLD'S TOP CHEESEMAKERS

	'000t
1. Lactalis (Fr)	1,100*
2. Kraft (US)	1,000*
3. Leprino (US)	750*
3. Saputo (Can)	670
4. F/C (Neth)	660
5. DFA (US)	550
6. Schreiber (US)	500*
7. Bongrain (Fr)	490*
8. Glanbia (Ire)	470**
9. Agropur (Can)	420*
10. Bel (Fr)	400*
11. Arla (Den/Swe)	400
12. Land O'Lakes (US)	320
14. Fonterra	300**
15. DMK (Ger)	280
16. Foremost Farms (US)	260
17. Sodiaal (Fr)	250
18. Great Lakes (US)	200
19. Murray Goulburn (Aus)	150
20. Bayernland (Ger)	140

*Est. by PM F&D Consult., **JV

to get into the top 20 includimng: Lala (Mex), LBR and Itambé (Braz), Sancor (Arg) and Murray Goulburn (Australia).

TOP CHEESEMAKERS

The top 20 cheese producers produce about 45% of world production and they market all the international cheese brands. The North American companies dominate the top 20 with 3 of the top 5 and 9 of the top 20. The main reason for this is the size of the domestic US market and the large sales of cheese for the food service sector. But Lactalis of France are the world largest cheese producer—the company surpassed Kraft Foods in 2012 via continuous in several regions of the world—and they are big cheese producers in the US.

MILK POWDER

Fonterra and Nestlé dominate world milk powder production but the next

two biggest producers are Mengniu and Yili of China. The logistical challenge in China is the long distance from the main producing areas in north central China to the maion consuming areas in the east of the country.

The companies who have expanded their milk processing fastest in the past 7yrs are: Müller (91%), Sodiaal (+86%), Lactalois (+84%), Arla (+66%), Saputo (58%) and Fonterra (+53%). The report says: "It is remarkable the two leading food companies inn the world, Nestlé and

Kraft, have experienced little growth in recent years in the dairy segment while Lactalis, Arla, Fonterra, Sodiaal, Müller, Danone and Saputo have expanded significantly.

A simple comparison of the economic performance of the major dairy producers shows Danone at the top (\$2.27/kg of milk processed) followed by Bongrain (\$1.51), Nestlé (\$1.48), Müller (\$1.42), Sodiaal (\$1.36), Lactalis (\$1.34) and FrieslandCampina (\$1.30).

**World Dairy Companies, Analysis of the Multinational and International Dairy Companies, by PM Food & Dairy Consulting 2013, Hestehavevej 17, 8270 Højbjerg, Aarhus S, Denmark; phone: +45 35120420; email: mikkelsenpreben@hotmail.com; price €6,000.*

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