

Top Biz News

Dairy consolidation moves gather pace

By Wang Ying (China Daily)
Updated: 2010-02-11 11:05



A worker milks a cow at a dairy farm in Huai'an city, Jiangsu province. New Hope Dairy has acquired a total of 12 small- and medium-sized dairies across the country in recent years. [China Daily]

New Hope acquires remaining 41 percent stake in Anhui Purity

SHANGHAI: New Hope Dairy, a wholly owned subsidiary of New Hope Group, said it had acquired full ownership of Anhui Purity Dairy Co Ltd yesterday after buying the remaining 41 percent stake in the company.

Sichuan-based New Hope Group said in a filing to the Shenzhen Stock Exchange yesterday that it paid 26.51 million yuan for the remaining stake in the State-owned dairy.

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"It highlights New Hope's ambition to compete in the high-growth dairy market," said Qin Jun, an industry analyst with Guotai Junan Securities.

According to Qin, New Hope Dairy has now 12 local dairy brands and is highly likely to consolidate them into its own.

In recent years, New Hope Dairy has acquired a total of 12 small- and medium-sized dairy companies in Hefei, Anhui province, Baoding, Hebei province, Changchun, Jilin province and Qingdao in Shandong province.

"Although the dairy market is dominated by three big companies - Yili, Mengniu and Bright Dairy - there still remains growth potential for newcomers to tap," said Qin.

"Since the melamine scandal was made public in 2008, the domestic milk industry went into freefall in both reputation and sales. The industry-wide crisis forced the top three giants to slow the pace of their consolidation. This leaves some opportunities for the players in the second-tier group, such as New Hope Dairy," added Qin.

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China's per capita milk consumption among urban residents was only 27 kilograms in 2008, nearly one-tenth the amount in the US, and the figure will be even lower in rural areas, according to the analyst.

Wu Zhengwu, an analyst with Aijian Securities, said New Hope Dairy will encounter fierce competition in vying for a larger market share.

"The overall market has already formed, and it's hard to disturb the status quo. In addition, an increasing number of foreign milk powder brands are entering. A newly launched brand such as New Hope will face a lot of difficulties," Wu said.

New Hope Group is the nation's largest animal feed producer, but its profits from animal feed and a meat processing sideline are declining. In recent years, 80 percent of its earnings came from profits in investments in China Minsheng Bank, said Wu.

Analysts said in the past decade, New Hope Group made a lot of money from equity investments and property development. "Neither of them are its core business but, as we all know, making money from the agricultural industry is time-consuming and the profit is lower than from other industries," said Qin.

In an interview with the Economic Daily, Liu Yonghao, chairman of New Hope Group, said he was determined to prioritize the agricultural industry in his blueprint for the group.

"The first document issued by the central government will encourage us to make further developments in agriculture," Liu said.