

INDUSTRY OVERVIEW

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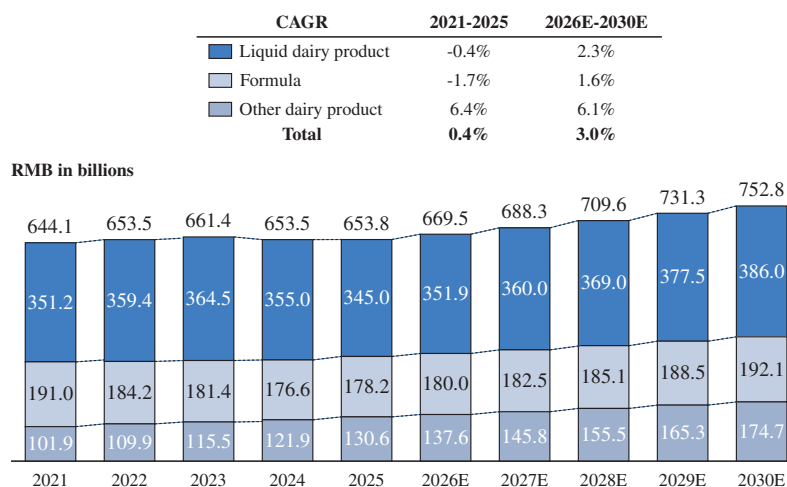
OVERVIEW OF CHINA’S DAIRY PRODUCTS MARKET

Dairy products are foods made from raw milk through pasteurization, fermentation, spray drying, and other processes. They are consumed at home, in food service, and as ingredients. With rich nutritional value and broadly accepted taste profiles, dairy products represent one of the core dietary staples across the human life cycle.

Compared with developed markets, China’s dairy industry commenced at a relatively later stage. However, supported by rapid modernization across the entire value chain and increasingly efficient supply-chain integration, the industry has achieved rapid catch-up development. Despite such progress, China’s per-capita dairy consumption remained at 41.0 kilograms in 2025, significantly below developed Asian economies and the recommended annual intake of approximately 146 kilograms, indicating substantial room for further penetration. Supported by rising health awareness, increasing disposable income and purchasing power, continuous product innovation and upgrading, and the emergence of new consumption scenarios, China’s dairy market is expected to maintain steady growth.

As shown in the chart below, liquid dairy products were the largest segment of China’s dairy market in 2025, while formula products were the second-largest segment. Liquid dairy products can be broadly categorized into low-temperature liquid dairy products, including fresh milk and low-temperature yogurt, and ambient liquid dairy products, including UHT milk and ambient yogurt. Formula products are expected to stabilize and gradually recover, while other dairy products, such as cheese, butter, cream, condensed milk and ice cream, have been among the faster-growing segments, supported by expanding food-service applications and ongoing product innovation.

Market Size of Dairy Products in China, by Categories and by Retail Value, 2021-2030E



Source: National Bureau of Statistics of China (“NBS”), Ministry of Agriculture and Rural Affairs of the People’s Republic of China (“MARA”), China Dairy Association, China National Food Industry Association, listed companies’ public filings, Frost & Sullivan analysis

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By retail value, the market size of China’s dairy products market decreased from RMB661.4 billion in 2023 to RMB653.5 billion in 2024. The decrease was mainly attributable to the decline in liquid dairy products and formula products, which outweighed the continued growth of other dairy products. In 2024, consumer demand for certain traditional dairy categories softened amid more cautious consumer spending and intensified market competition, while channel inventory adjustment and promotional activities also weighed on market value growth. In addition, the formula market remained under pressure from demographic factors and channel restructuring, while the growth of other dairy products, such as cheese, butter, cream, condensed milk and ice cream, was not sufficient to fully offset the decrease in liquid dairy products and formula products.

Competitive Landscape

Influenced by differences in dairy supply models, diversified consumer demand and historical development factors, China’s dairy market includes dairy companies with varying business scale, product coverage and geographic reach. Leading players typically operate diversified, cross-category product portfolios covering liquid dairy products, formula and other dairy products, supported by broad supply-chain networks and extensive sales coverage across China. Faced with a wide range of choices, consumers tend to favor leading brands that they trust and perceive as reliable in terms of quality.

Leading nationwide players occupy a dominant position in the market by leveraging their strong brand recognition, distribution capabilities and supply-chain advantages. According to Frost & Sullivan, based on retail value in 2025, the Company ranked as the third largest dairy company in China, with a market share of 4.3%.

The table below sets out the top five dairy companies by retail value in China market in 2025 and their respective market share.

Ranking	Players	Market Share
1	Company A	24.5%
2	Company B	17.2%
3	The Company	4.3%
4	Company C	4.2%
5	Company D	3.3%
Top 5 combined		53.5%

Source: Listed companies’ public filings, Companies’ websites, experts interview, Frost & Sullivan analysis

Notes:

Company A: a China-based dairy products company headquartered in Hohhot, Inner Mongolia, and listed on the Shanghai Stock Exchange, primarily engaged in the production and sale of liquid dairy products, formula, ice cream and other dairy products.

Company B: a China-based dairy products company headquartered in Hohhot, Inner Mongolia, and listed on the Hong Kong Stock Exchange, primarily engaged in the production and sale of dairy products including liquid dairy products, formula, ice cream and other dairy products.

Company C: an infant-formula-focused China-based dairy company headquartered in Beijing, and listed on the Hong Kong Stock Exchange, primarily engaged in the production and sale of infant formula and other dairy products.

Company D: a China-based dairy products company headquartered in Shanghai, and listed on the Shanghai Stock Exchange, primarily engaged in the production and sale of liquid dairy products such as fresh milk, ambient milk and yogurt, as well as other dairy products.

OVERVIEW OF CHINA’S LIQUID DAIRY PRODUCTS MARKET

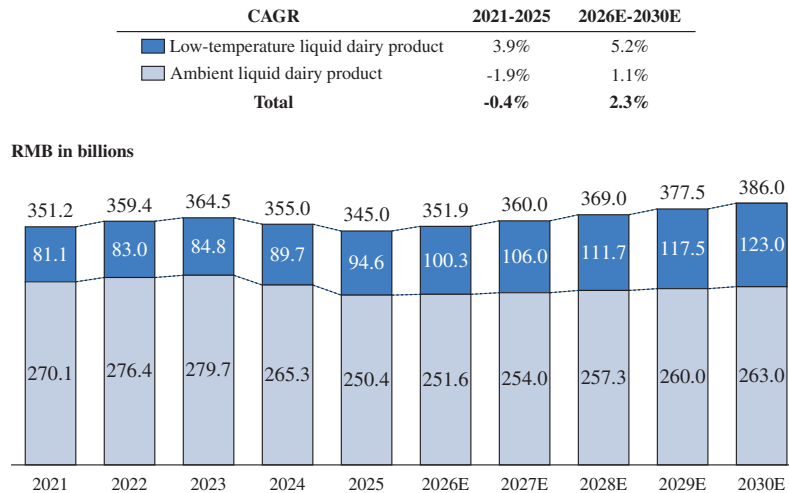
Liquid dairy products represent the most fundamental form of milk consumption, characterized by broad consumer penetration and daily drinking attributes. Based on key differences in sterilization methods, fermentation processes and storage conditions, liquid dairy products can be broadly categorized into four major product types: fresh milk, low-temperature yogurt, ambient milk and ambient yogurt. These products can also be grouped into low-temperature liquid dairy products and ambient liquid dairy products, which collectively address diversified consumer needs across different consumption scenarios. Specifically, low-temperature liquid dairy products,

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including fresh milk and low-temperature yogurt, generally require full cold-chain logistics and have relatively short shelf lives, while offering advantages in fresh taste, active nutrient retention and probiotic content; by contrast, ambient liquid dairy products, including UHT milk and ambient yogurt, are characterized by longer shelf lives, convenient storage and portability, and broader distribution without cold-chain requirements.

The chart below sets out the market size of China’s liquid dairy products by categories.

Market Size of Liquid Dairy Products in China, by Categories and by Retail Value, 2021-2030E



Source: NBS, MARA, China Dairy Association, China National Food Industry Association, listed companies’ public filings, Frost & Sullivan analysis

By retail value, the market size of China’s liquid dairy products market decreased from RMB364.5 billion in 2023 to RMB345.0 billion in 2025. The decrease was primarily driven by the decline in ambient liquid dairy products, although low-temperature liquid dairy products continued to grow during the year. Since 2024, demand for traditional ambient milk and ambient yogurt softened due to changing consumer preferences, weaker household stock-up and gift consumption demand, and more intense channel competition. Meanwhile, low-temperature liquid dairy products continued to gain penetration, especially in higher-tier and urban markets, but their growth was not sufficient to fully offset the decline in ambient liquid dairy products.

China’s liquid dairy products market is relatively concentrated. Based on retail value in 2025, the top five market participants collectively accounted for 74.2% of total market share. Among them, the Company ranked fourth with a market share of 5.9%.

Ranking	Players	Market Share
1	Company A	30.3%
2	Company B	27.2%
3	Company D	6.2%
4	The Company	5.9%
5	Company E	4.6%
Top 5 combined		74.2%

Source: Listed companies’ public filings, experts interview, Frost & Sullivan analysis
Company E: a China-based dairy products company headquartered in Chengdu, Sichuan Province and listed on the Shenzhen Stock Exchange, primarily engaged in the production and sale of dairy products, including fresh milk, yogurt, UHT milk and other dairy products.

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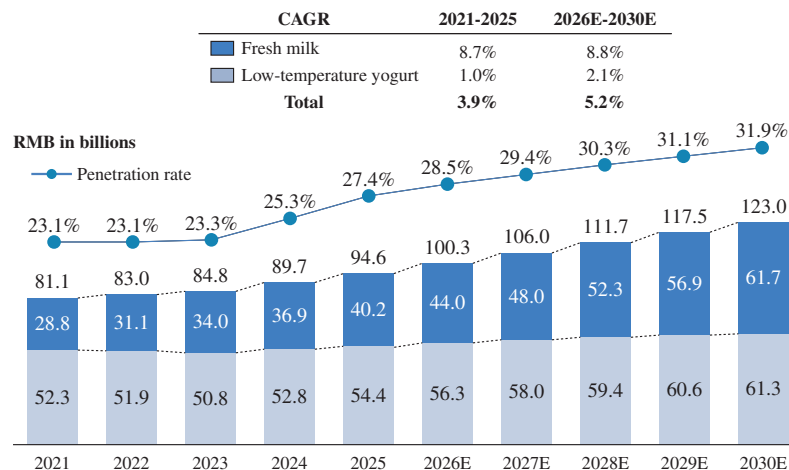
Overview of Low-Temperature Liquid Dairy Product Market in China

To maximize the preservation of the natural flavor and heat-sensitive active nutrients in fresh milk and fermented dairy products, low-temperature liquid dairy products are generally sterilized using pasteurization (typically HTST) or emerging ultra-short-time thermal processing technologies. Compared with ambient milk products processed through UHT sterilization, fresh milk demonstrates a clear advantage in the retention of nutrients such as lactoferrin, immunoglobulins and B-complex vitamins, with retention rates typically estimated to be 30-50 percentage points higher.

Consumer demand for “fresh” and “natural” nutritional value, together with rising expectations for a higher-quality overall consumption experience, has continued to strengthen. In parallel, with the progressive improvement and upgrading of cold-chain infrastructure, low-temperature liquid dairy products have emerged as a significant structural growth opportunity within China’s liquid dairy market, demonstrating stronger growth resilience than the broader liquid dairy market. Fresh milk and low-temperature yogurt are increasingly substituting traditional ambient milk and ambient yogurt, becoming the core growth engines of the industry.

The chart below sets out the market size of China’s low-temperature liquid dairy products market, by categories and by retail value. Overall, the penetration of low-temperature liquid dairy products within China’s liquid dairy market has continued to rise and is expected to further increase to 31.9% by 2030. China’s low-temperature liquid dairy product penetration remains significantly below that of mature markets such as the United States and Japan, where penetration exceeds 90% and 75%, respectively, indicating substantial room for future growth.

Market Size of Low-Temperature Liquid Dairy Products in China, by Categories and by Retail Value, 2021-2030E



Source: NBS, MARA, China Dairy Association, China National Food Industry Association, listed companies’ public filings, Frost & Sullivan analysis

Note: Penetration rate represents the retail value of low-temperature liquid dairy products as a percentage of the total retail value of liquid dairy products.

By retail value, China’s fresh milk market increased from RMB28.8 billion in 2021 to RMB40.2 billion in 2025, representing a CAGR of 8.7%, and is expected to further grow to RMB61.7 billion by 2030. From 2026 to 2030, the market is expected to grow at a CAGR of 8.8%. As a result, fresh milk has emerged as a key growth segment within China’s low-temperature liquid dairy products market. In parallel, China’s fresh milk market has exhibited a clear premiumization trend, with the premium segment increasingly serving as an important growth driver supported by product upgrading and extended shelf-life offerings. By retail value, the premium fresh milk market increased from RMB8.7 billion in 2021 to RMB14.9 billion in 2025, and is expected to reach RMB28.5 billion by 2030.

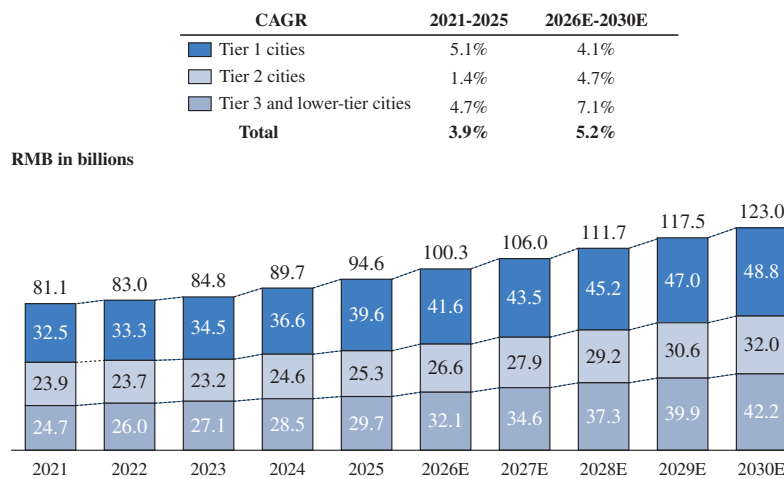
Low-temperature yogurt remains an important category within China’s liquid dairy products market, supported by consumer demand for gut health benefits, functional attributes and diversified taste experiences. The category experienced short-term fluctuations in recent years as offline consumption channels were disrupted and consumers shifted toward lower-sugar and lower-calorie products faster than product supply and assortment adapted. Nevertheless, overall resilience

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remained evident, with market size at RMB54.4 billion in 2025, and under the continued trends of functionalization and scenario-based segmentation, the market is expected to reach RMB61.3 billion by 2030, representing a CAGR of 2.1% from 2026 to 2030.

Given China’s vast geography, significant disparities exist across city tiers in terms of economic development, household income levels and consumption habits, resulting in differentiated development stages and market characteristics for low-temperature liquid dairy products across cities of different tiers. At present, higher-tier cities remain the core consumption markets, supported by more developed cold-chain infrastructure, higher disposable income levels and earlier adoption of health and nutrition awareness. By retail value in 2025, the penetration rate in Tier 1 cities, measured as a proportion of the local liquid dairy market, reached 38.3%, significantly higher than 29.2% in Tier 2 cities and 21.6% in Tier 3 and lower-tier cities. Looking ahead, lower-tier markets are expected to demonstrate stronger growth momentum as cold-chain logistics networks continue to expand, online retail penetration increases and local consumers’ health awareness and purchasing power improve. According to Frost & Sullivan, from 2026-2030, the low-temperature liquid dairy market in Tier 3 and lower-tier cities is expected to record a CAGR of 7.1%, outpacing 4.1% in Tier 1 cities and 4.7% in Tier 2 cities, and is expected to become an important growth engine for China’s low-temperature liquid dairy product market.

Market Size of Low-Temperature Liquid Dairy Products in China, by City Tiers and by Retail Value, 2021-2030E



Source: NBS, MARA, China Dairy Association, China National Food Industry Association, listed companies’ public filings, Frost & Sullivan analysis

Overview of Ambient Liquid Dairy Product Market in China

Benefiting from convenient transportation, long shelf life and ease of storage, the development of ambient liquid dairy products has historically accelerated the penetration of dairy consumption across cities of different tiers and township markets in China, and continues to constitute the dominant portion of China’s liquid dairy market.

By retail value, the market size of China’s ambient liquid dairy products decreased from RMB270.1 billion in 2021 to RMB250.4 billion in 2025, representing a CAGR of -1.9% over the period. In particular, the market size decreased from RMB279.7 billion in 2023 to RMB250.4 billion in 2025. The decline in 2024 and 2025 was mainly attributable to softer demand for traditional UHT milk and ambient yogurt, intensified channel competition, reduced demand from gift and household stock-up consumption scenarios, and partial substitution by low-temperature liquid dairy products in higher-tier and urban markets. As consumers increasingly sought fresher, more natural and function-oriented dairy products, ambient liquid dairy products entered a phase of structural adjustment. Looking ahead, supported by the continued convenience of ambient products, broad lower-tier market coverage, product upgrades toward premiumized and functional offerings, and more refined consumption scenarios, the ambient liquid dairy market is expected to stabilize and recover gradually, with market size projected to reach RMB263.0 billion by 2030. From 2026 to 2030, the market is expected to grow at a CAGR of 1.1%.

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Drivers and Trends of Liquid Dairy Product Market in China

- **Accelerating penetration of low-temperature liquid dairy products driving structural upgrading.** Supported by improving cold-chain infrastructure and rising demand for freshness and active nutrients, low-temperature liquid dairy products, including fresh milk and low-temperature yogurt, are becoming a key growth driver. Bottled formats and shelf-life extension technologies have broadened fresh milk distribution and supported premiumization, while low-temperature yogurt is shifting toward functional and dessert-oriented offerings, expanding consumption occasions. Low-temperature products’ penetration within the liquid dairy market is expected to continue rising.
- **More segmented consumption scenarios.** Diversifying consumption scenarios are driving demand for varied packaging specifications. Beyond household consumption, dairy products are increasingly consumed in out-of-home scenarios such as bakery and freshly made coffee and tea chains, increasing consumption frequency and fragmentation. Small on-the-go packs and large family packs are expected to coexist as mainstream formats, requiring enterprises to enhance flexible manufacturing and tiered channel coverage.
- **Leading players pursuing international and regional expansion.** Selected domestic leaders are using markets such as Hong Kong and Macau to validate the competitiveness of premium fresh milk and functional yogurt products. Leveraging ESL technologies and cross-border cold-chain capabilities, these enterprises are exploring expansion into Southeast Asia. Alignment with international standards in areas such as quality traceability and carbon management is also driving further upgrades in management and supply-chain capabilities.

Entry Barriers and Key Success Factors

- **Brand equity and consumer trust.** As dairy products are daily consumer staples, brand perception and consumer trust directly influence repurchase behavior and pricing power. Successful brands typically establish transparent consumer communication mechanisms through visible quality initiatives, such as factory or farm visits, end to end traceability and third party authoritative certifications. Long term brand reputation, together with strong ESG performance, constitutes a core asset in building durable brand advantages across cycles.
- **Control over high quality milk sources and comprehensive value chain capabilities.** Stable, traceable raw milk is critical to premium low-temperature liquid dairy products. Leading enterprises secure supply through self-owned farms or upstream partnerships and build end-to-end control from farm to processing, cold chain and distribution, supporting quality, safety and resilience to raw milk price volatility. These capabilities require sustained investment and standardized quality control.
- **Intelligent manufacturing and end to end quality control. Advanced manufacturing capabilities underpin product consistency and operational efficiency.** Through sustained investment in highly automated production lines, manufacturing execution systems and in-line monitoring equipment, enterprises can improve yields and shorten supply chain response times. Strong digital capabilities and end to end quality control systems are prerequisites for scaled and lean production.
- **Wide coverage cold chain logistics and nationwide supply capabilities.** The extreme reliance of fresh milk and yogurt on temperature control and delivery timeliness makes an efficient and widely covered cold chain a core competitive barrier. Leading enterprises need strong cold chain management capabilities to meet fulfillment requirements across multiple channels, including on demand delivery, membership stores and supermarkets. In addition, the application of key technologies such as ESL is critical to expanding the effective sales radius, reducing loss, enabling nationwide scaled supply, and enhancing profitability in low-temperature businesses.

Threats, Challenges and Opportunities

China’s liquid dairy products market faces intensifying competition. At the same time, the low-temperature segment requires stronger technology, capital and operational capabilities. Market participants must continuously strengthen brand trust, high-quality and traceable milk sourcing, integrated quality control, intelligent manufacturing and wide-coverage cold-chain fulfillment, while responding more quickly to increasingly segmented consumption scenarios and evolving preferences for healthier, fresher and more functional products. At the same time, raw milk prices remain subject to supply-demand fluctuations, which may affect cost stability. Against this backdrop, the market continues to benefit from structural upgrading toward low-temperature liquid

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dairy products, premiumization and functional innovation across both low-temperature and ambient products, broader out-of-home consumption scenarios, and continued expansion into lower-tier cities as cold-chain infrastructure and online retail penetration improve.

Competitive Landscape

China’s low-temperature liquid dairy market exhibits a relatively high level of concentration, with a pronounced leading player effect. Based on retail value in 2025, the top five market participants collectively accounted for 65.4% of total market share, among which the Company ranked first with a market share of 15.6%.

The table below sets out the top five low-temperature liquid dairy market participants by retail value in China market in 2025 and their respective market share.

Ranking	Players	Market Share
1	The Company	15.6%
2	Company B	15.1%
3	Company D	13.3%
4	Company A	11.7%
5	Company E	9.7%
Top 5 combined		65.4%

Source: Listed companies’ public filings, companies’ websites, experts interview, Frost & Sullivan analysis

China’s fresh milk market is relatively concentrated. Based on retail value in 2025, the top five market participants collectively accounted for 63.4% of total market share, and the Company ranked second with a market share of 13.4%.

Ranking	Players	Market Share
1	Company D	20.1%
2	The Company	13.4%
3	Company B	11.7%
4	Company E	11.2%
5	Company A	7.0%
Top 5 combined		63.4%

Source: Listed companies’ public filings, experts interview, Frost & Sullivan analysis

China’s low-temperature yogurt market is relatively concentrated. Based on retail value in 2025, the top five market participants collectively accounted for 65.7% of total market share, and the Company ranked second with a market share of 17.3%.

Ranking	Players	Market Share
1	Company B	17.6%
2	The Company	17.3%
3	Company A	15.3%
4	Company E	8.3%
5	Company D	7.2%
Top 5 combined		65.7%

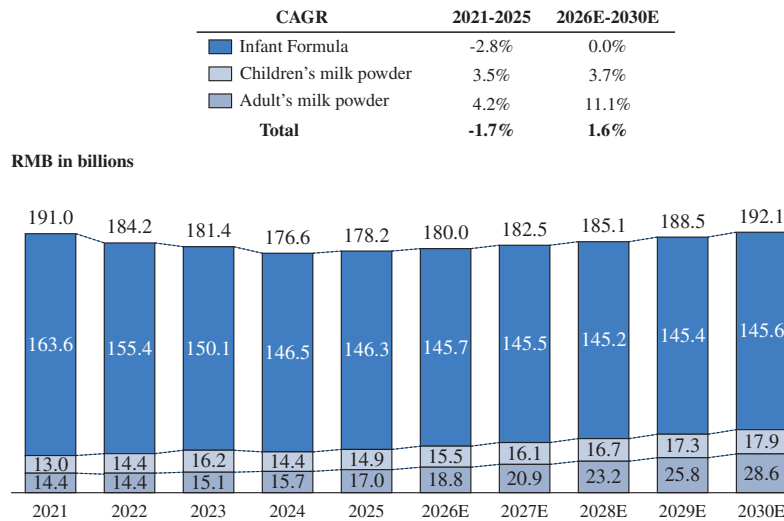
Source: Listed companies’ public filings, experts interview, Frost & Sullivan analysis

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OVERVIEW OF CHINA’S FORMULA MARKET

Formula products are powdered dairy products formulated to meet the nutritional needs of consumers at different life stages and can be broadly categorized into infant formula, child formula and adult formula. Benefiting from continued upgrading toward premiumized and functional product offerings, as well as ongoing growth in the child and adult formula segments, China’s formula market has demonstrated resilience. Infant formula remains the largest segment within China’s formula market. Supported by the implementation of the New National Standard and rising consumer willingness to pay for scientifically validated formulations such as A2 protein, OPO structured lipids and lactoferrin, the industry continues to undergo structural upgrading. The chart below sets out the market size of formula in China, by retail value. By retail value, China’s infant formula market reached RMB146.3 billion in 2025, accounting for 82.1% of the total formula market.

Market Size of Formula in China, by Retail Value, 2021-2030E



Source: Listed companies’ public filings, MARA, China Dairy Association, China National Food Industry Association, Frost & Sullivan analysis

By retail value, the market size of China’s formula market decreased from RMB181.4 billion in 2023 to RMB176.6 billion in 2024. The decline was mainly attributable to continued pressure on the infant formula segment, which was affected by the relatively low number of newborns, channel inventory adjustment, intensifying competition and the transition following the implementation of the New National Standard. Although child formula and adult formula continued to provide structural growth opportunities, their growth remained insufficient to fully offset the decline in infant formula products in 2024.

Leading domestic brands have strengthened their positions by leveraging integrated local value-chain advantages, including access to high-quality milk sources, use of fresh raw milk and science-based nutrition R&D. Together with China’s stringent infant formula registration regime, these capabilities have raised technical, R&D and regulatory barriers and shifted competition from channel-driven marketing toward scientific validation and full-chain quality control. This structural shift is reflected in the rising market share of domestic infant formula brands, which increased from 53% in 2021 to 72% in 2025. The expansion of domestic brands has been supported by higher quality benchmarks under the New National Standard, continued research into the composition of Chinese breast milk enabling more differentiated localized formulations, and refined channel operations supporting deeper penetration into lower-tier markets.

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Market Drivers and Development Trends

- **Premiumization and competition shifting toward scientific validation.** Consumer demand is shifting from basic nutrition toward precise, science-based nutritional support, driving premiumization across the infant formula market. Ingredients such as A2 protein, OPO, HMOs, lactoferrin and probiotics are increasingly incorporated into higher value-added formulations. At the same time, competition is moving beyond ingredient lists toward clinical validation and scientific evidence, with leading players strengthening barriers through breast milk databases, proprietary strain development and clinical research.
- **Professionalization of retail channel operations.** The mother-and-baby retail channel is undergoing consolidation toward chain-based and professional operators. Large chains with standardized management and stricter product selection are gaining share, favoring leading brands with strong supply-chain support and channel service capabilities.
- **Extension of consumption lifecycle and segment expansion.** Leading companies are expanding into child and adult formula segments, extending customer lifetime value and forming full lifecycle product portfolios.

Threats, Challenges and Opportunities

China’s formula market faces intensifying competition as the industry shifts from channel-driven marketing toward scientific validation, full-chain quality control and higher quality benchmarks under the New National Standard. Market participants must maintain stable and traceable milk sources, invest in science-based nutrition R&D and clinical validation, and build long-term brand trust and professional mother-and-baby channel capabilities. At the same time, the market continues to benefit from premiumization and functional upgrading, rising demand for science-based formulations, expansion of child and adult formula segments, and deeper penetration into lower-tier markets, creating opportunities particularly for leading brands with strong R&D, quality control and channel execution.

Competitive Landscape of Formula Market in China

China’s formula market exhibits a relatively high level of concentration, with leading domestic and international brands competing in the premium and mass segments. Based on retail value in 2025, the top five market participants collectively accounted for 55.0% of total market share. Among them, the Company ranked fifth with a market share of 3.9%.

The table below sets out the top five formula market participants by retail value in China market in 2025 and their respective market share.

Ranking	Players	Market Share
1	Company A	23.5%
2	Company C	13.8%
3	Company F	7.0%
4	Company G	6.8%
5	The Company	3.9%
Top 5 combined		55.0%

Source: Listed companies’ public filings, experts interview, Frost & Sullivan analysis

Note:

Company F: a Netherlands-based dairy group headquartered in Amersfoort, the Netherlands, incorporated in 2008, primarily engaged in the production and sale of dairy products including infant formula and other dairy products.

Company G: a France-based food and beverage group headquartered in Paris, France, founded in 1919 and listed on Euronext Paris, primarily engaged in the production and sale of dairy and plant-based products, waters and specialized nutrition products, including infant formula.

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China’s infant formula market is characterized by high entry barriers and relatively high concentration. Stringent formula registration, the need for stable and traceable milk sources with integrated quality control, and the importance of long-term brand trust and nationwide offline distribution networks make the market difficult for new entrants to penetrate. As a result, leading domestic brands have established competitive advantages. Based on retail value, the top five market participants accounted for 56.8% of total market share in 2025. Among them, the Company ranked fifth with a 4.1% market share and was also the third largest domestic infant formula company in China.

The table below sets out the top five infant formula market participants by retail value in China market in 2025 and their respective market share.

Ranking	Players	Market Share	Brand Origin
1	Company A	18.5%	China
2	Company C	17.4%	China
3	Company F	8.5%	Netherlands
4	Company G	8.3%	France
5	The Company	4.1%	China
Top 5 combined		56.8%	

Source: Listed companies’ public filings, companies’ websites, experts interview, Frost & Sullivan analysis

OVERVIEW OF CHINA’S BUSINESS-TO-BUSINESS DAIRY PRODUCTS MARKET

As China’s food-service industry and broader food manufacturing sector continue to scale and professionalize, downstream customers are placing higher requirements on dairy ingredient suppliers, including consistent high quality, stable supply and the ability to support diversified flavor and product innovation across standardized menus and industrial formulations. These evolving requirements are raising the bar for supply-chain capabilities and food ingredient standards across the value chain. Against the backdrop of accelerating chain-based expansion in the food-service industry, ongoing upgrades in supply-chain capabilities and food ingredient standards, and rising consumer demand for healthier food and beverage options, China’s B2B dairy products market has emerged as one of the faster-growing segments within the broader dairy industry, with a relatively clear trajectory of structural upgrading. By revenue, the market size of China’s B2B dairy products market increased from RMB35.1 billion in 2021 to RMB43.3 billion in 2025, representing a CAGR of approximately 5.4%. This growth has been primarily driven by rising and stable demand for dairy ingredients from formats such as bakery and freshly made coffee and tea, as well as the trend toward scaled procurement and standardized ingredient usage associated with the expansion of chain outlets. At the same time, downstream customers are increasingly favoring suppliers with nationwide coverage, end-to-end quality control and customized solutions, accelerating the market’s shift from ingredient supply toward solution-based services.

Looking ahead, as chain restaurants and new-style beverage formats continue to expand, and as in-store applications of higher value-added dairy products such as fresh milk, cream, butter and cheese become increasingly diversified, the B2B dairy products market is expected to further grow to RMB64.4 billion by 2030. From 2026-2030, the market is expected to grow at a CAGR of 8.1%.

Threats, Challenges and Opportunities

China’s B2B dairy products market faces rising requirements from downstream food-service and food manufacturing customers for consistent quality, product innovation and stronger supply-chain capabilities. As chain customers increasingly prefer suppliers with nationwide coverage, end-to-end quality control and customized solutions, competition is shifting from basic ingredient supply toward solution-based services, raising barriers for market participants. Demand also remains exposed to the performance of downstream formats such as bakery, freshly made coffee and tea, and chain restaurants, while raw milk price fluctuations may affect cost stability. At the same time, continued expansion of chain food-service formats, broader dairy applications across beverages and desserts, and rising demand for higher value-added ingredients such as fresh milk, cream, butter and cheese are creating growth opportunities.

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China’s B2B dairy products market is relatively fragmented. Based on revenue in 2025, the top five market participants collectively accounted for 15.9% of total market share. Among them, the Company ranked third with a market share of 2.3%.

The table below sets out the top five B2B dairy products market participants by revenue in China in 2025 and their respective market share.

Ranking	Players	Market Share
1	Company B	6.7%
2	Company A	5.5%
3	The Company	2.3%
4	Company D	0.9%
5	Company E	0.5%
Top 5 combined		15.9%

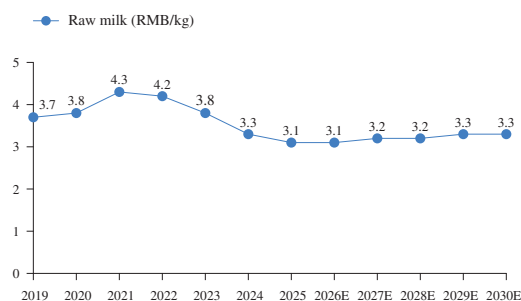
Source: Listed companies’ public filings, experts interview, Frost & Sullivan analysis

RAW MILK PRICE AND FEED PRICE ANALYSIS

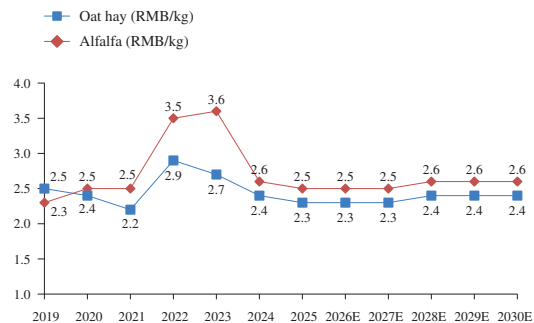
From 2019 to 2025, the average procurement price of raw milk in China’s major producing provinces fluctuated but generally trended downward, mainly due to changes in supply-demand dynamics. Increased raw milk supply from dairy farm expansion and productivity improvement, together with softer downstream demand, inventory pressure and the impact of imported base milk powder, jointly weighed on prices.

During the same period, the average prices of oat hay and alfalfa in China exhibited a rise-and-fall pattern. Prices generally increased in the earlier years, mainly driven by higher import costs and tighter forage supply, and then declined in the later years as feed demand softened and import prices normalized. Compared with oat hay, alfalfa prices experienced greater fluctuations over the period.

Average Farm-Gate Purchase Price of Raw Milk in Major Producing Provinces, 2019-2030E



Average Price of Oat Hay and Alfalfa, 2019-2030E



Source: NBS, Dairy Association of China, China Customs, Frost & Sullivan analysis

Looking ahead, raw milk prices in China are expected to gradually stabilize from the relatively low level in 2025, supported by the ongoing adjustment of dairy farm capacity, the exit of less efficient farming capacity and the gradual stabilization of downstream demand. However, any price recovery is expected to be gradual, as raw milk supply capacity remains sufficient and downstream dairy consumption is expected to grow at a moderate pace. Feed prices, including oat hay and alfalfa, are expected to remain broadly stable with moderate fluctuations, primarily affected by global forage supply, weather conditions, import prices, exchange rates and logistics costs.

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Changes in raw milk and feed prices affect the cost base of dairy farming and dairy processing enterprises, including the Group. However, such changes do not result in immediate or mechanical adjustments to the selling prices of the dairy company’s products. In practice, the selling prices of dairy products are primarily determined by consumer demand, brand positioning, product mix, market competition, channel structure and promotional activities, while raw material prices are taken into account as one of the cost factors in dairy company’s overall pricing and margin management. When raw material prices increase materially, a dairy company may seek to partially mitigate cost pressure through product pricing, product mix adjustment, package specification changes, channel rebates, promotional intensity and cost control measures, typically with a time lag. When raw material prices decline, the benefit may be reflected in improved gross margins, enhanced promotional flexibility or support for premium product development, rather than a direct and immediate reduction in the retail prices of dairy products.

Cyclical Fluctuations of Dairy Products Market and Raw Material Costs

China’s dairy products market, as well as the prices of relevant raw materials, exhibit cyclical fluctuations driven by macroeconomic conditions, demographic trends, agricultural production cycles, and evolving consumer preferences. Historically, raw milk price cycles have typically lasted around three years, reflecting periods of dairy herd expansion, productivity improvement, and subsequent supply adjustments. Feed costs, including corn silage, alfalfa and soybean meal, follow agricultural cycles and global commodity market movements, which in turn affect raw milk production costs at the Group’s self-operated dairy farms.

During the most recent cycle, raw milk prices rose from 2019 to 2021, followed by a decline from 2022 to 2025 due to increasing supply, moderate downstream demand, and inventory adjustments. Feed costs also exhibited a rise-and-fall pattern over the same period. The current stage of the cycle as of 2025 reflects a low-price adjustment phase for raw milk, while feed prices remain broadly stable with moderate fluctuations.

These cyclical patterns impact upstream and downstream players differently. During rising price phases, dairy farms may benefit from higher selling prices if raw milk price growth exceeds feed cost increases, while downstream processors face margin pressure unless cost increases are partially passed through to selling prices. During declining price phases, upstream dairy farms experience tighter margins, whereas downstream processors may gain cost relief, subject to competitive pricing, promotional activities, and product mix adjustments. Dairy companies with controlled milk sources, diversified product portfolios, and strong channel coverage are generally better positioned to mitigate the effects of cyclical fluctuations across the value chain.

SOURCE OF INFORMATION

This section contains information extracted from the Frost & Sullivan Report prepared by Frost & Sullivan independently, which is commissioned by us in connection with the [REDACTED]. We expect to pay Frost & Sullivan a total of RMB400,000 for the Frost & Sullivan Report and our use of the report. Frost & Sullivan is a consulting company which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this Document to provide our potential [REDACTED] with a more comprehensive presentation of the industry in which we operate.

Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.