Goat Milk Powder Emerging Trends

APAC Ushers in the Year/Era of the Goat
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Global Goat Milk Production Market Overview
Lower income countries traditionally produce goat milk, where most of the population cannot afford cow milk.

Goat Milk Production: Global, 2015

In most developed countries (formerly centrally planned economies or industrialized), goat milk accounted for less than 1% of all milk production in 2015. However, in developing countries, this number jumped to 3.4%. In India, goat milk production volumes were higher than the rest of APAC combined.

Source: Frost & Sullivan
Global Goat Milk Powder Consumption

Approximately 1% of goat milk produced is processed globally to provide milk powder. Over 60% of this milk powder is primarily for the infant nutrition sector.

Types of Goat Milk Consumption: Global, 2015

- Direct Consumption, 74.5%
- Cheese, 4.5%
- Milk Powder, 1.0%
- UHT Milk, 15.0%
- Other Types, 5.0%

The nutritional content of goat milk is the closest alternative to human breast milk. Fat globules present in the goat milk have a relatively small diameter, enhancing infant digestibility and absorption by up to 94%.

Dairy goats are appealing to developing countries, where the grain-saving efficiency of this livestock and their nutritious output prove precious to farmers.

Although an extremely small portion of the overall market, the infant milk powder sector is witnessing growing demand as goat milk’s benefits and potential continue to increase.

Source: Frost & Sullivan

UHT = ultra-high temperature processing
Chinese women are 5X more likely to purchase imported goat milk powder online than their global counterparts.

Goat milk powder is considered a high-end product, and this image is catered to by distributing primarily through pharmacies and health stores.

In China, 80% of mothers check efficacy and fortification levels before choosing a goat milk option.

What do the Chinese want in goat milk powder?

Fortification and Product Efficacy

Premiumisation

Recommendations

Over 15% of milk produced is lost because of a lack of processing ability and low utilization rates. Chinese companies cannot match demand.

In China, 4 million dairy goats, and 70% of milk produced is turned into milk powder.

China has over 18 goat milk powder producers; however, demand is mostly met through imported bulk powders.

In China, bulk imported goat milk powder accounts for over 60% of demand. Europe, particularly the Netherlands, tends to dominate this sector.

Source: Frost & Sullivan
Market Trends—Who Consumes Goat Milk Powder?
In addition to being a large producer of goat milk, APAC is increasingly becoming a large consumer market, led by China.

China leads the way

Beyond China: Who is hiding behind the giant?

Alternatives sought after the melamine scandal

Breastfeeding rate dropping

Infant formulas dominate goat milk use

Adulteration of milk and infant formula with melamine in 2008 resulted in 6 infant deaths and an estimated 54,000 infant hospitalizations. Chinese parents are more concerned than ever about the source and content of their powdered infant formula.

Over the past 16 years, China’s breastfeeding rate has dropped by 40%. Although breast milk is the best food for infants, the next best alternative is considered goat milk. In the wake of the melamine scandal and declining breastfeeding, goat milk has grown in popularity.

Infant goat milk powder is a key demand sector. In Shaanxi (accounting for over 85% of the national goat milk product market), 16 of the 19 infant formula milk powder companies produce goat milk powder for infant formulas.

Source: Frost & Sullivan
Australia is a growing niche market for goat milk powder. Most demand is beginning to skew towards the health and specialty food sector as well as goat cheese production.

Europe

The European market is growing. In 2013, this market made amendments (directive 2006/141/EC) to permit the use of goat milk protein in the manufacture of infant formula and follow-on formula.

Taiwan

Goat milk is an established market in Taiwan, mainly for the infant-to-young child nutrition market (1 to 7 years of age). Almost all goat milk powder in Taiwan is fortified.

China leads the way

In APAC, Taiwan has been a traditional market leader for goat milk.

Beyond China: Who is hiding behind the giant?

Source: Frost & Sullivan
Continued fears over food safety across the infant formula industry, particularly in Taiwan and China, drive demand for organic products.

Both Taiwanese and Chinese mothers have been known to conduct extensive research on the efficacy of products; therefore, online blogs and recommendations are often the most successful strategy.

Understanding why each local population prefers goat milk is a key factor in determining how and when to sell as well as to whom.

For example, Taiwan faces serious environmental problems such as air pollution, and consumers have been educated that goat milk is good for people who suffer from bronchitis and respiratory problems.

As the number of goat milk powder options grows, fortification has emerged as a key requirement for consumers to validate the cost of the product.

Typical fortification is with omega-3, vitamin A, calcium, and other minerals. In addition, belief is growing that fortification reduces the caprine smell of goat milk, which often deters consumers from purchasing the product.

Image Source: Pixabay; Source: Frost & Sullivan
## Key Company Profiles

Companies worldwide are vying for a share of this market.

<table>
<thead>
<tr>
<th>Main Participants</th>
<th>Ausnutria Hyproca (Kabrita brand)</th>
<th>Dairy Goat Co-Operative</th>
<th>Yayi International</th>
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<td><strong>Revenue</strong></td>
<td>Netherlands-based Ausnutria Hyproca’s (Hyproca nutrition brand: Kabrita) 2014 revenue was about NZ$465.7 million, with the Kabrita goat milk formula series accounting for approximately NZ$70.5 million (up 97.3% from the previous year).</td>
<td>Hamilton-based Dairy Goat Co-Operative developed the first goat milk-based infant formula in 1988 and is among the top 3 New Zealand dairy firms in absolute and rate turnover growth. Turnover exceeded NZ$150 million in 2014. Out of 20 markets, Taiwan is the largest.</td>
<td>China-based Yayi International is one of the leading dairy goat brands in China, with sales of about NZ$20.2 million in 2013. Goat milk is sourced in Shaanxi Province, which is home to 85% of the country’s goat milk processing enterprises.</td>
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<td><strong>Products</strong></td>
<td>Products include Kabrita 1 infant milk, Kabrita 2 follow-on milk, and Kabrita 3 toddler milk.</td>
<td>Products include Karihome growing up formula, Karihome pre school formula, and Karihome goat milk powder.</td>
<td>The company provides goat milk formula products for infants and toddlers and goat milk nutritional formula for adults.</td>
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<td><strong>Market Activity</strong></td>
<td>Stage 3 Kabrita infant formula and goat milk-based yogurt commenced sales in the United States in August 2014. Total sales of the Kabrita series grew by about 97.3% in 2014 and nearly quadrupled in 2013. The Kabrita series was launched in China in 2011 and was met with great recognition of its good quality and effective marketing strategies. In February 2014, Kabrita was launched in the Netherlands, following an August 2013 law amendment allowing the sale of infant/follow-on formula based on goat milk.</td>
<td>The company has an effective niche strategy around goat milk and its derivatives and a joint venture with Orient EuroPharma to export to key APAC markets. Annual revenue rose about 56% to NZ$140 million in 2013, and annual export volumes rose to about 8,000 tonnes. Revenue growth is self-projected between NZ$250 and NZ$500 million by 2018. A new NZ$67 million spray dryer was opened in 2014, quadrupling capacity. An office is set up in Barcelona, Spain, as the company looks to enter the European market.</td>
<td>A 2014 letter to investors revealed the aim to achieve sales of NZ$35 million. A raw goat milk powder manufacturing base is under construction in Shaanxi, with further investment of about NZ$8.2 million required at the time of the letter. Another facility is being built in Tianjin, with a further investment of NZ$3.5 million required. A second-child policy boosts sales of infant goat milk formula, with conservative estimates of a 7 to 10% sales growth by 2017.</td>
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Source: Frost & Sullivan
Conclusion
Goat milk manufacturers need to place increased emphasis on a strong story and localisation of their products to meet APAC demands.

Global Market Scenario
• Goat milk powder will continue to grow as a key niche market for dairy products.
• APAC will drive growth; however, the European Union (EU) will increasingly begin to drive penetration into the APAC market as it continues to obtain US and EU regulatory accreditation.
• Manufacturers will aim to move away from infant nutrition towards possibly newer application segments such as geriatric nutrition (e.g., Japan).

Key Competitor Market Scenario
• New Zealand will remain a dominant force in goat milk production but will begin to face aggressive competition from the United States, the EU, and South Africa as dairy goat industries in these countries receive growing support.
• The New Zealand dairy goat industry needs to separate itself from the cow milk industry to create its own niche and brand proposition in China and the rest of APAC, where recent events have put into question the quality of products being exported.
• Localisation of products is imperative.

Future Growth Trends
• A key awareness strategy includes increasing advertising expenditure through online blogs and social media catering to millennial parents in APAC.
• With taste as a primary purchasing requirement, the formulation of goat milk powder and the provision of product differentiation are key methods to increase penetration.

Source: Frost & Sullivan
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