China’s Baby Food Market
2015
Drivers of China’s Baby Food Market Growth

✓ Annual birth rate
✓ Gradual phasing out of the Only Child Policy
✓ Increasing disposable income
✓ Food safety challenges
✓ Adoption of Western baby food
Chinese Babies v.s. U.S. Babies

16.4 million Chinese babies born in 2013
3.9 million American babies born in 2013
Chinese Live Births between 2008-2014
Abandoning Only Child Policy

- China started practicing “Only Child” policy since 1980’s to control population
- China facing aging population and sharp decrease of labor population
- November 2013, Chinese government allowed couples to have two babies if one of them is an only child
- Chinese government may further ease the population control by allowing all couples to have two children in the foreseeable future

Conservative estimation: China may welcome 1 million additional babies each year with the new population policy since 2015.
Urban Residents Disposable Income between 2004-2014 in China

Currency=USD, Exchange Rate 1 USD = 6.15RMB
Source: National Bureau of Statistics of P.R.China
Food Safety Challenges

Deteriorating environment*
- 1/6 of China’s arable land suffering from soil pollution
- 13 mm + tons of crops harvested each year contaminated with heavy metals
- 22 mm acres of farmland affected by pesticides

More and more Chinese moms choose to feed their babies with imported food.

Healthy vs. Chubby

Younger generation moms turn to western baby foods as supplement to baby’s diet emphasizing nutrition

V.S.

Older generation prefer smashed home-made adult food for babies, equating chubbiness with health
Market analysis of China’s baby foods

✓ Market size, market segments and market share
✓ Imported vs. domestic
✓ Distribution channels
Bloomberg estimated that China’s baby food market was $19 billion in 2014, growing from $9 billion in 2009.
2014 China Baby Food Market Segments and Market Share

- Infant Formula: 70.3%
- Baby Juice: 24.3%
- Baby Cereals: 0.2%
- Baby Snacks: 2.5%
- Bottled Baby Food: 1.8%
- Canned Baby Food: 0.5%
- Other Baby Foods: 0.4%

Source: Datamonitor
2014 China Baby Food Market Share excluding Formula Milk and Cereal

- **Bottled Baby Food**: 46%
- **Baby Snacks**: 34%
- **Canned Baby Food**: 9%
- **Other Baby Foods**: 8%
- **Baby Juice**: 4%

Sources:
- Bloomberg
- Datamonitor

Estimated sales of baby food and juice, excluding formula milk and cereal, was **$3.76 billion** in 2014 in China.
China’s Solid foods market is dominated by multi-nationals. Beingmate is a major domestic player.
Beingmate’s Product Lines

- Rusks
- Rice Cereal
- Meet and Fish Floss
- Glucose
More Chinese Solid Baby Food Examples

- Biscuits
- Tuna Floss
- Pasta
Select Foreign and Domestic Brands Active in China
Distribution Channels

- supermarket
- hypermarket
- Baby Food Specialty Store
- Online
- Other
Summary

✓ $19 billion baby food sold in China in 2014

✓ Unbalanced market product mix with formula milk and cereal dominating the sales of baby food, 77% going to formula milk and 20% to cereal in 2014

✓ Economic and environmental factors driving the fast growth of baby food market

✓ Foreign brands having more than 50% market share

✓ Potential opportunities in segments of solid foods outside cereal such as quality and nutritious snack food
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