

## Milk and Flavoured Milk - China - April 2016

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"Given the large base of lactose intolerants in China, the lactose-free milk segment is worth investing in. Plant protein drinks threaten the milk category, suggesting that milk producers should reinforce their health benefits to prepare for increased competition. Low-fat milk will remain niche, while manufacturers should look into the 'good-fat' trend emerging globally."

- Karen Liu, Senior Research Analyst

### This report looks at the following areas:

- The prospects for lactose-free milk
- PPDs grab market share from milk
- Paradigm shift to 'good fat'

Value growth in China's milk market is expected to slow. Competition from imported milk and adjacent categories, such as yogurt and PPDs, will hinder growth prospects.

Lactose-free milk represents a significant growth opportunity due to China's large population of lactose intolerants. Manufacturers will, however, need to invest in laborious education programmes due to poor understanding of the necessity of drinking lactose-free milk in the country.

The steady growth of plant protein drinks in China is threatening the milk market. The drinks are targeting the RTD market, suggesting that milk products should reinforce their health benefits to prepare for increased competition, or consider adding plant protein ingredients to milk.

Low-fat milk is expected to remain niche, while manufacturers should look into the 'good-fat' trend emerging globally.

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