



Achieving Best Practice to bring Australian Infant Formula to the China Market

The Infant Nutrition Council (INC)

- The association for the infant formula industry in Australia and New Zealand
- Represents manufacturers, marketers, brand owners and associated companies
- 7 Ordinary members, and 24 Associate members
- Its members are responsible for over 95% of the volume of infant formula manufactured & sold in Australia, or exported to China
- Represents the interests of the infant formula industry in all its aspects whether it's about importing product, marketing locally or, manufacturing and exporting product to other markets, including China
- Ensures that parents can be confident in the safety and integrity of formula made, sold or imported into China by any INC member company

INC Australian Members



NUTRICIA



INC is committed to supporting both
breastfeeding and infant formula

We advocate for optimal nutrition for all infants

1. breastmilk first

or, when a baby is not given breastmilk,

2. infant formula (the only suitable
breast milk substitute)

Marketing practices are in accordance with the World Health
Organization's *International Code of Marketing of Breast-milk Substitutes*
1981 (WHO Code)

INC Code of Conduct

INC members abide by a strict code of conduct.

They work together to resolve issues relating to the infant formula industry in Australia and New Zealand and to ensure industry best practice through setting standards for marketing, regulatory compliance and promotion of breastfeeding.

Issues may include:

- matters concerning the industry marketing code in Australia
- the support of breastfeeding
- possible false and misleading claims
- food regulations and standards
- food safety issues
- company representatives' conduct and activities

INC's keys to achieving industry best practice

1. Compliance with laws and regulations governing infant formula products
2. Ethical marketing practices
3. Good supply chain integrity
4. Extensive scientific and regulatory knowledge and expertise
5. Strong and professional industry associations
6. Strong government relations
7. Strong international relations

What are the opportunities for Australia's Infant Formula Industry in China?



China is vast!!



31 provinces, 653 cities, 2,856 counties

One child policy



Rapid Urbanisation

- Urban population in China is approximately 731 million (2013)
- Currently accounts for 53.7% of China's population compared to 36% in 2000
 - China's total population: 1.36 billion
 - Forecast: by 2020 urban population will reach 70% of China's total population (close to US population)
- In 2012 China's middle class made up 17% of the population. It is predicted that by 2022, the middle class will make up 63%.

China – a booming market for infant formula

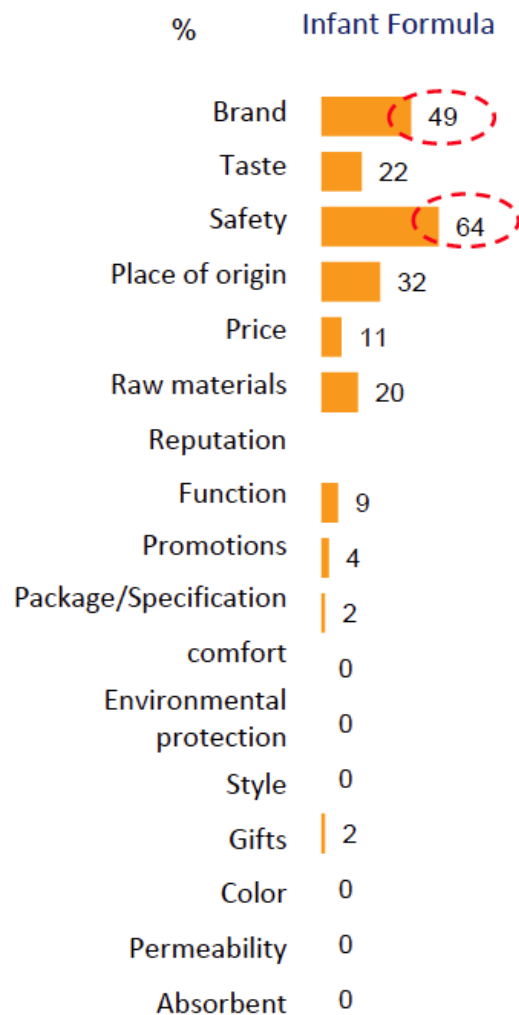
- In excess of 16 million babies are born each year in China
- It is estimated that the lessening of the 1 child policy may see this number grow to around 23 million
- In Australia - 1 baby is born every 1 minute 44 sec.
- In China - 54 babies are born every 1 minute 44 sec.

**The average spend on
an urbanised middle
class 0-2 year old is
\$10,000 USD per
annum**



China's infant formula market is worth \$13.3 billion and growing!

Factors Affecting Infant Formula Purchase Decisions



Foreign product is preferred because of supply chain, water and pollution concerns.

1% of Chinese urban dwellers breath unsafe air.

Beijing, Shanghai, Chengdu, Guangzhou (%)

Exports to China

- In 2012, China imported 1.375 million tonnes of dairy products but that increased 40% last year to more than 1.9m tonnes.
- Australian exports of infant formula to China have grown from 2,325 tonnes in 2011 at a value of \$56 million, to nearly 4,000 tonnes in 2013 worth \$76 million.
- After nine years of negotiations China has flagged it intends to finalise a free-trade agreement with Australia before the end of the year

China Certification and Accreditation Administration (CNCA) Registration

- The Chinese government wants high quality and safe infant formula products with good supply chain integrity from the cow to the can.
- Before 1 May 2014 there were over 3,000 brands of infant formula in the China market.
- Since May and following a world wide audit, manufacturers must be accredited by CNCA to supply product to the Chinese market and also be responsible for the brands they produce.
- The number of brands in China has significantly reduced

CNCA Registration and the Australian industry

- CNCA registration has left many Australian manufacturers without accreditation and many Australian brands without a manufacturer of their product
- Australian manufacturers accredited by CNCA:
 - VIPlus Dairy
 - Tatura
 - Australian Dairy Park
 - Murray Goulburn
 - Blend and Pack
- More manufacturers will be accredited over time.

Some Aust Industry Investment stories reported in the media

- MGC is investing \$197mil in factory upgrades to rejuvenate its manufacturing and supply chain infrastructure. There will be more focus on "customised" high-value goods, such as baby formula. It will spend \$19 million on its Koroit factory to increase production of nutritional powders by almost 10 per cent by May next year.
- Burra Foods Dairy Processing Plant in Korumburra recently launched the first commercial production of their new infant formula, which followed a \$22 million expansion.
- The giant Canadian dairy company Saputo recently emerged victorious from a \$500 million battle for control of Warrnambool Cheese & Butter. Lino Saputo Jnr, CEO, who is visiting Australia this week, brings a clear message to dairy farmers: grow your herds, ramp up production and all your milk will find a home.
Saputo aims to increase supply of infant formula to the Asian market.

On Australian dairy farms, cows predominantly graze naturally on lush grass pastures.

Australian Infant formula is a high quality & high valued product.

The vast and growing China market provides a great opportunity for the Australian dairy industry to increase the export of our premium Infant formula products

What is at stake is the health and safety of the world's most vulnerable population





Infant
Nutrition
Council

Industry supporting both
Breastfeeding & Infant Formula

www.infantnutritioncouncil.com