



Rabobank

Global Dairy Top 20

Movers and Shakers

RaboResearch

Food & Agribusiness
far.rabobank.com

Mary Ledman

Global Strategist – Dairy
+1 847 408 8203

Richard Scheper

Analyst – Dairy
+31 30 712 3788

Summary

Rabobank's annual Global Dairy Top 20 highlights the results of industry leaders in one of the world's most valuable food sectors. The combined turnover of the Global Dairy Top 20 companies jumped by 9.3% in US dollar terms, following the prior year's decline of 0.1%. In euro terms, the combined turnover increased by 5.0%. Merger and acquisition activity by Top 20 companies remained relatively stable in 2021 compared to the prior year, but dropped in the first half of 2022, with about 10 deals announced versus the prior year's approximately 30 deals.

Table 1: Global Dairy Top 20, 2022

2022	2021	Company	Country of headquarters	Dairy turnover, 2021*	
				USD billion	EUR billion
1	1	Lactalis	France	26.7†	22.6†
2	2	Nestlé	Switzerland	21.3†	18.0†
3 ▲	4	Danone	France	20.9†	17.7†
4 ▼	3	Dairy Farmers of America	US	19.3	16.3
5	5	Yili	China	18.2†	15.4†
6	6	Fonterra	New Zealand	14.8†	12.5
7 ▲	9	Mengniu	China	13.7	11.6
8 ▼	7	FrieslandCampina	Netherlands	13.6	11.5
9 ▼	8	Arla Foods	Denmark/Sweden	13.3	11.2
10	10	Saputo	Canada	12.0	9.6
11	11	Unilever	Netherlands/UK	8.3†	7.0†
12 ▲	14	Savencia	France	6.6	5.6
13 ▲	18	Gujarat Cooperative Milk Marketing Federation Ltd	India	6.3	5.3
14 ▲	17	Sodiaal	France	5.9†	5.0†
15 ▼	13	Meiji	Japan	5.9†	5.0†
16	16	Agropur	Canada	5.8	4.9
17 ▲	20	Müller	Germany	5.7†	4.9
18 ▼	12	DMK	Germany	5.2†	4.4†
19	19	Schreiber Foods	US	5.1†	4.3
20	#	Froneri	UK	5.0	4.2

* Turnover data is predominately dairy sales, based on 2021 financials and M&A transactions completed between January 1 and June 30, 2022. Pending mergers/acquisitions not incorporated include: BMI's Fresh Division and production facility in Würzburg to Lactalis, Fonterra's sale of DPA Brazil, Soprole and changes to the Australian business, Müller's acquisitions of FrieslandCampina's German plants and (fresh) brands, FrieslandCampina's disposal of Campina LLC (Russia-based operations), Nutrifeed (animal nutrition) and the powder plant in Aalter, Belgium, and FrieslandCampina's acquisition of Nutricima.
† estimate.

Source: Rabobank 2022

Due to the strengthening of underlying dairy commodity prices, 2021 was a year with high turnover growth for the Top 20 companies.

Supported by the recovery in foodservice channels after the initial Covid pandemic and continued strong retail channel sales, dairy demand firmed globally. Combined with lower-than-anticipated milk production growth in the main exporting regions and exceptionally strong Chinese import demand, dairy product prices rallied to elevated levels in 2021.

For many non-US based dairy companies, the turnover gain in USD is larger than in EUR or other local currencies due to the strengthening of these currencies against the USD through 2021.

Year marked by movers and shakers

This year's ranking is characterized by the movers and the shakers. Companies changed ranking by growing turnover or because of their strategic activities. Both turnover growth and strategic activities were more significant than in recent years. Strategic re-positioning and M&A activities, for example, resulted in the entry of Froneri and the departure of Kraft Heinz in the ranking. The second half of the leader board remains crowded with less financial separation between the companies. In 2020, eight companies in the second half of table were separated by less than USD 1.0bn. This year, four companies are within USD 0.15bn in sales.

Movers: Elephant deals by Lactalis and Yili

Even though Lactalis and Yili did not change in ranking, they accounted for the largest increases in turnover and acquisitions in 2021.

After claiming the first position last year, privately-held Lactalis extended its lead on Nestlé to a staggering USD 5.4bn – compared to USD 2.2bn in 2020. Lactalis's 2021 sales are estimated at USD 26.7bn (+4.7bn or 16.2%) or EUR 22.6bn (+2.4bn or 11.9%). The company's double-digit percentage sales growth was driven by the acquisition of the Kraft Heinz's US natural cheese business (eliminating that company from the Top 20), and Groupe Bel's Royal Bel Leerdammer, Bel Italia, Bel Deutschland, and Bel Shostka Ukraine, which added a combined estimated annual turnover of about USD 2.1bn. Lactalis' acquisitions spree continued into 2022 with the purchase of Australian-based Jalna Dairy Foods and German-based Bayerische Milchindustrie's (BMI) Fresh Dairy Division.

The Asian Tigers continue to roar. China-based Yili takes the prize for largest gain (USD) in turnover among the global Top 20. The acquisition of a majority (and controlling) stake in IMF-producer Ausnutria, along with strong domestic sales growth, propelled sales by USD 4.4bn to USD 18.2bn. This reflects a whopping 31.7% YOY increase. Yili nevertheless remains in fifth position but the company's strong performance narrowed the gap with the leaders.

Fellow Asian dairy companies, Mengniu and Amul also fared well in 2021. Mengniu ranks seventh, a gain of two positions, and beating European leading dairy cooperatives FrieslandCampina and Arla Foods. India's largest dairy cooperative, Amul, posted a revenue gain of 18.8% or USD 1.0bn, resulting in an impressive five-position gain in the ranking, from position 18 to position 13.

Both companies continued their strong (organic) growth rate in 2021, after a difficult Covid-impacted 2020. Mengniu's turnover increased by 24%, or USD 2.6bn, to USD 13.7bn (15.9% or 12.1bn in CNY), following a loss of 3.7% or USD 0.4bn in 2020 following the sale of a majority stake in Junlebao Dairy, and due to foreign exchange rates.

Strategic add-ons (and disposals): Saputo, Savencia, Sodiaal, Müller and Schreiber

Saputo (10th place) divides the ranking by a large margin of USD 3.7bn ahead of Unilever. After several large acquisitions (including Murray Goulburn and Dairy Crest) in more distant years, Saputo continued with the integration of several relatively small strategic add-ons in 2021: Scotland-based Bute Island Foods (alternative dairy cheeses), Wisconsin Specialty Protein (value-added ingredients), UK-based Wensleydale Dairy (specialty/artisan cheeses) and Carolina Aseptic & Carolina Dairy business (aseptic protein beverages and nutritional snacks).

In 2021, France-based companies Savencia and Sodiaal completed and integrated strategic additions. After already acquiring full control of Compagnie des Fromages & RichesMont (CF&R) in 2020, Savencia acquired Hope Foods (plant-based spreads) in 2021. Both acquisitions supported turnover growth to USD 6.6bn in 2021, moving the company into 12th position, a jump of two positions compared to 2020.

Sodiaal completed the acquisition of the remaining 51% of Yoplait S.A.S. – consisting of Yoplait's activities in Europe and several other markets – from US-based General Mills. This was done in exchange for Sodiaal's ownership interests in the Canadian Yoplait Business and a reduced royalty rate for use of the Yoplait and Liberte brands in the US and Canada. Sodiaal's sale of Stegmann Emmentaler Kasereien (SEKG) to Meggle was completed in the first half of 2021. Overall, Rabobank estimates that the acquisitions and disposals contributed to net gain in turnover of nearly USD 0.4bn for this year's ranking, propelling the company to 14th place, an upgrade of three positions.

Privately-owned Müller's gained three positions as turnover increased by EUR 0.4bn (8.8%) to EUR 4.9bn or USD 5.7bn (+13.0%), while Kraft Heinz and DMK slipped in the rankings. Müller's acquisitions of FrieslandCampina's German processing facilities and (fresh) brands are still pending and will likely support sales growth in the German retail segment.

New kid on the block, Froneri

Private-equity ice cream company Froneri is a new name in the Top 20. Froneri was established as a joint venture between Nestlé and private equity firm PAI Partners in 2016, combining some of their ice cream activities. A series of acquisitions in the following years – including Nestlé Ice Cream Israel (2019), Tip Top Ice Cream (2019) from Fonterra and Nestlé Ice Cream USA (2019) -- grew the company to the second-largest global ice cream manufacturer after Unilever (11th place).

Shakers

In the opposite direction, Kraft Heinz dropped off the list, while DMK dwindled six positions in this year's ranking as the sale of the majority stake in F+S contributed to a USD 1.2bn or -18.8% (21.8% or EUR 1.2bn) drop in turnover compared to last year.

Behind leader Lactalis, Swiss-based Nestlé managed to keep the second position – with a lead of USD 0.4bn over Danone. Nestlé's dairy-related turnover only increased because of more favorable exchange rates against the USD. In CHF terms, the company's estimated dairy-related sales declined from 19.5bn to 19.4bn (-0.5%), which is not a surprise considering its divestment strategy in recent years, including the sale of most of its ice cream businesses to Froneri. As a minority stakeholder in Froneri, sales of that business have been excluded due to de-consolidation.

Dairy alternatives: if you can't beat them, join them

With numerous product launches, dairy alternatives, ranging from beverages, yogurts, frozen desserts, cheese and hybrid products, have become more common in the product portfolio of Top 20 companies, making it more difficult to extract pure dairy revenues. Nestlé for example recently added Orgain to its portfolio, a company that focuses on plant-based protein powders and plant-based nutrition. As a result, the designation of dairy is also becoming much more blurred.

France-based Danone reclaimed the third position, while including dairy alternatives sales. In EUR terms, Danone's total dairy-related turnover increased by only 1.7% to EUR 17.7 in 2021. In USD, sales growth accumulated to 5.6% or USD 20.9bn. The company's dairy alternatives-related turnover totaled EUR 2.3bn in 2021, a gain of about 4.5% or EUR 0.1bn compared to 2020, which

is considerably lower than 2020's reported 15% increase. The turnover growth was likely negatively impacted by the sale of the North American Vega brand to US based private-equity firm WM Partners. It's also a possible indication that annual sales growth for plant-based dairy alternatives is moving to the single digit range, with the market becoming more mature and competitive for liquid milk and yoghurt alternatives. In addition, Danone reported a 1.0% annual growth in the company's specialized nutrition division, an indication that IMF sales continued to struggle in 2021.

Cooperative giants in the sub-top of the ranking: DFA, Fonterra, FrieslandCampina and Arla Foods.

The four global cooperative giants are bunched in the sub-top of this year's ranking. Each is facing some degree of limitations for organic growth in their domestic market.

In 2021, DFA continued its integration of the Dean Foods assets, while both Fonterra and FrieslandCampina disposed of non-core assets. Fonterra completed the sale of its two wholly-owned China Farming hubs in 2021 and maintained its position (sixth place). The company's disposal of DPA Brazil and Soprole, along with changes in the Australian-based business, are still pending in 2022.

FrieslandCampina (eighth position) lost one position in favor of Mengniu. Based on the reported FY2021 revenues, the gap with Arla (ninth position) narrowed to EUR 0.3bn. It's likely that the Denmark-based cooperative Arla will move ahead of FrieslandCampina in the near future, as recent disposals are accounted. FrieslandCampina sold its powder plant in Aalter (Belgium), non-core Russian business (Campina LLC), and its animal nutrition business (Nutrifeed). More recently, the company disposed of its German assets and brands to Müller.

Even though Arla also gave up one position to Mengniu, it still showed strong revenue growth in 2021, supported by its robust retail positioning in (Northwest) Europe and in branded products. In their recently announced 'Future 26' strategy, Arla embraces ambitious GHG targets and strives to expand its turnover and profitability on the back of both efficiency gains and growth of its global brands.

GHG targets: embracing the SBTi, and moving from acknowledging to gradually setting net zero targets

Gradually, more dairy companies are aligning their climate ambitions with the 'Science Based Targets initiative'. To date, eight of the Top 20 companies have made a public commitment to (some of) the SBTi targets or have targets that are considered to be aligned with SBTi. We expect this number to grow in the near term as evaluation and target setting is still underway. As such, dairy companies are working on their climate and sustainability targets for 2030, but also adding net zero ambitions for 2050.

Looking forward to next year, we expect another strong year for combined Global Dairy Top 20 turnover as the underlying dairy commodity prices hit record or near-record levels around the globe on the back of the war in Ukraine and escalating inflation. However, weaker global dairy demand in 2H 2022 is anticipated due the combination of Covid-related lockdowns, inflation impacting consumers' purchasing power, and other economic headwinds. Due to the weakening of local currencies – especially the euro against the US dollar, some companies might struggle to maintain their positions and gains in this year's ranking.

Imprint

RaboResearch

Food & Agribusiness

far.rabobank.com

Mary Ledman	Global Strategist – Dairy	mary.ledman@rabobank.com +1 847 408 8203
Richard Scheper	Analyst – Dairy	richard.scheper@rabobank.com +31 6 2385 1987

© 2022 – All rights reserved

This document is meant exclusively for you and does not carry any right of publication or disclosure other than to Coöperatieve Rabobank U.A. ("Rabobank"), registered in Amsterdam. Neither this document nor any of its contents may be distributed, reproduced, or used for any other purpose without the prior written consent of Rabobank. The information in this document reflects prevailing market conditions and our judgement as of this date, all of which may be subject to change. This document is based on public information. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable; however, Rabobank does not guarantee the correctness or completeness of this document, and does not accept any liability in this respect. The information and opinions contained in this document are indicative and for discussion purposes only. No rights may be derived from any potential offers, transactions, commercial ideas, et cetera contained in this document. This document does not constitute an offer, invitation, or recommendation. This document shall not form the basis of, or cannot be relied upon in connection with, any contract or commitment whatsoever. The information in this document is not intended, and may not be understood, as an advice (including, without limitation, an advice within the meaning of article 1:1 and article 4:23 of the Dutch Financial Supervision Act). This document is governed by Dutch law. The competent court in Amsterdam, the Netherlands has exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, this document and/or any discussions or negotiations based on it. This report has been published in line with Rabobank's long-term commitment to international food and agribusiness. It is one of a series of publications undertaken by the global department of RaboResearch Food & Agribusiness.