INDUSTRY TRENDS IN INFANT FEEDING

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IMPACT OF CONSUMER TRENDS ON MILK FORMULA SALES

GLOBAL MARKET INSIGHT

FUTURE OUTLOOK
GLOBAL SALES OF MILK FORMULA (2016)

US$46 billion

40% GROWTH (2011-2016)

US$13 billion

ABSOLUTE GROWTH (2011/2016)
Working mothers drive milk formula sales

**Positive impact on milk formula**
- Increasing employed female population
- Short length of maternity leave
- Permissive advertising regulations

**Negative impact on milk formula**
- Increasing breastfeeding rates
- Decreasing birth rates
Birth rates much higher in developing countries

Birth Rates in Developed Countries vs Emerging Countries 2010-2015

Emerging and Developing Countries
Developed Countries

HW Milk Formula Sales in Developed Countries vs Emerging Countries 2011-2016

Emerging and Developing Countries
Developed Countries

Births per 1,000 population

Retail value (US$ billion), constant, fixed 2016 exchange rate
Massive discrepancy in breastfeeding rates between countries

Breastfeeding rates: top and bottom countries (2015)
Weak advertising legislation key advantage for milk formula sales

International Code of Marketing of Breast Milk Substitutes

<table>
<thead>
<tr>
<th>No legal measures</th>
<th>Few provisions in law</th>
<th>Many provisions in law</th>
<th>Full provisions in law</th>
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<td>US</td>
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The increase of working mothers make milk formula more desirable

**Global Employed Female Population 2010-2015**

- 2010: 1.08
- 2011: 1.10
- 2012: 1.12
- 2013: 1.14
- 2014: 1.16
- 2015: 1.18

**Head of Household (Female) 2010-2015**

- 2010: 440 Million
- 2011: 460 Million
- 2012: 480 Million
- 2013: 500 Million
- 2014: 520 Million
- 2015: 540 Million

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Long maternity leave: An advantage to breastfeed?

Length of maternity leave: top and bottom countries (2015)
IMPACT OF CONSUMER TRENDS ON MILK FORMULA SALES

GLOBAL MARKET INSIGHT

FUTURE OUTLOOK
FF milk formula accounts for the majority of milk formula sales
China alone accounts for 41% of milk formula sales in 2016

GW Milk Formula

Market Size

Global Figure
2016, USD million
45,741.4

Regional Comparison
2016, USD million
Asia Pacific 29,371.1
Australasia 534.0
Eastern Europe 1,115.3
Latin America 2,966.9
Middle East & Africa 2,873.2
North America 5,163.5
Western Europe 3,717.4

83 mn children aged 0-4

Exclusive breastfeeding rate (<6 months) 28%

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Best performance coming from toddler milk formula

Milk Formula Value Growth by Type 2011-2016

Regional Breakdown of Milk Formula Value Sales by Type 2016

- Western Europe
- North America
- MEA
- Latin America
- Eastern Europe
- Australasia
- Asia Pacific

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Nutritional science as a driver of innovation

Sales of Milk Formula by Key Functional Ingredient Advertised in the Label 2016

Retail value (US$ billion), constant, fixed 2016 exchange rate

- Omegas
- Fibre
- Probiotics
- Minerals
- Choline
- Lutein
- Nucleotides
- Proteins
- Nucleotides
- Vitamins
- Taurine
- Inositol
Convenience key for working mothers

- **Puleva Peques 3** (Lactalis, Spain)
  - Handy pack sizes for "ready to drink"

- **Haihai Stick Pack** (Wakodo, Japan)
  - Individually-packaged liquid milk formula

- **Meiji Hohoemi cube** (Meiji, Japan)
  - Solid milk formula cubes
IMPACT OF CONSUMER TRENDS ON MILK FORMULA SALES

GLOBAL MARKET INSIGHT

FUTURE OUTLOOK
Growth mainly coming from emerging countries

Milk Formula Performance in Developed Countries vs Emerging Countries 2016-2021

Retail value (US$ million), constant, fixed 2016 exchange rate

- Developed countries
- Emerging and developing countries
Mimicking breast milk key to fuel milk formula sales

Global HW Milk Formula Sales by Type 2016-2021

- Organic Milk Formula
- Special Baby Milk Formula
- FF Milk Formula

Retail value (US$ million), constant, fixed 2016 exchange rate

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FUTURE OUTLOOK

China will continue leading growth within milk formula

The end of the “one-child policy”
Move towards premiumisation in emerging markets

Milk Formula Unit Price 2016-2021

- Wyeth S-26 Progress Ultima TM3
- Biostime SN-2PLUS
- Illuma 3

Growth: 4%
National policies to further fuel breastfeeding

WHO

Exclusive breastfeeding up to six months of age

Policies strengthened to promote breastfeeding

Objective by 2025

Increase exclusive breastfeeding in the first six months to at least 50%
Toddler milk formula outperforms in saturated developed markets

**Milk Formula in Developed Countries 2016-2021**

- **Toddler milk formula**: 34.2%
- **Follow-on milk formula**: 5.4%
- **Standard Milk Formula**: 7.3%

% growth 2016-2021, constant, fixed 2016 exchange rate
Key recommendations for milk formula manufacturers

- Invest in nutritional science as a driver of innovation to get milk formula as close as possible to breast milk
- Improve the convenience of packaging brings a key competitive advantage to manufacturers
- Attempting to establish stronger and premium brand images in emerging markets
- Focus on toddler milk formula in saturated developed markets
THANK YOU FOR LISTENING

Q&A

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