

resulting in declines in revenues in all product categories since the beginning of the year, except for condensed milk. The war between Russia and Ukraine also weighed on the market, causing commodities and oil prices to surge since February. According to SSI Research, the main materials of dairy companies all jumped, such as powdered milk prices were up 30-40% on-year and sugar prices rose by 30%.

Higher costs have affected their gross profit margin despite hikes to selling prices by 2-5% to pass the extra costs to consumers.

Rising selling expenses due to higher fuel prices driving up transportation fees are another pressure dairy producers face, while fierce competition significantly increases promotion costs and sales support to maintain market share. Most businesses posted decreases in profits in the second quarter and the first half of the year. Of which, Vinamilk reported a dip of 5% in revenue to 14.93 trillion VND (637.4 million USD). Its profit after tax for shareholders of the holding company dropped by 26% to nearly 2.1 trillion VND, the lowest in 5 years due to a lower gross profit margin but higher selling expenses. For the first six months of the year, Vinamilk's revenue was flat at 28.8 trillion VND, with net profit of 4.3 trillion VND, down 20%.

Similarly, Seed Moc Chau Dairy Cattle Corporation JSC's revenue in the second quarter still advanced by 6% to 839 billion VND but profit after tax was almost flat at 90 billion VND. In the first months of 2022, its profit added up 28% to 175 billion VND thanks to outstanding growth in the first quarter.

International Dairy Products JSC announced

that its revenue in the second quarter reached over 1.5 trillion VND, up 23%. Gross profit margin declined from 44% to 39% while selling expenses increased, causing profit after tax to go down 5% to 216 billion VND. In the first six months, the company's revenue and profit edged up by 17% and 11.5% year-on-year, respectively.

SSI Research believes that milk demand will grow stronger in the second half of 2022. In the first half of 2023, trade channels are expected to completely recover as hotels, restaurants and cafes are fully reopened and an increase in foreign tourists boosts demand. Therefore, growth would normalise from the second half of 2023.

Meanwhile, prices for whole milk powder (WMP), skimmed milk powder (SMP) and anhydrous milk fat (AMF) have been adjusted down starting in March, according to the global dairy trade organisation.

Regarding sugar prices, as of June, the global sugar price reached 0.185 USD/pound, up 20% over the beginning of the year and 7% on-year. The supply shortage will continue to support sugar prices for the rest of 2022. However, in Vietnam, the average price of refined sugar was unchanged over the same period of 2021 in the first half of the year, hovering in the range of 16,500-17,500 VND per kg. SSI Research said that domestic sugar prices were under pressure due to the amount of smuggled sugar and Thai sugar transiting through ASEAN countries and then into Vietnam. With higher average selling prices in the first half of 2022, SSI Research believes that the gross profit margin of dairy companies may improve from the fourth quarter./.

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