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Yili tightens grip on China's dairy supply chain with increased stake in Youran Dairy

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$149.56 million investment lifts Yili's holding to 36.07 percent as the dairy giant secures long-term raw milk supplies worth over $10.28 billion through 2029

Inner Mongolia Yili Industrial Group Co., Ltd. has strengthened its upstream integration strategy by increasing its equity stake in China Youran Dairy Group Limited to 36.07 percent, reinforcing one of the closest producer-processor partnerships in China's dairy industry. The move combines a $149.56 million (HKD1.17 billion) equity investment with a multi-year raw milk procurement agreement valued at more than $10.28 billion (RMB70 billion), highlighting Yili's focus on securing long-term supply chain resilience amid evolving market dynamics.

The investment was completed on 30 June 2026 through Yili's wholly owned overseas subsidiary, Boyuan Investment, which subscribed to 299.25 million newly issued shares of Youran Dairy at $ 0.50 (HKD3.92) per share. Following the transaction, Yili's total ownership in Youran Dairy increased to 36.07 percent, comprising 24.47 percent held through Boyuan Investment and 11.60 percent through Hong Kong Jingang Commercial and Trading Holdings Co., Ltd.

The transaction traces back to 14 January 2026, when the investment proposal was initiated. Definitive agreements were executed on 16 January, followed by public disclosure on 17 January 2026. The deal adopted an "old shares first, new shares second" structure, allowing Youran Dairy to raise approximately $ 299.11 million (HKD2.35 billion) in fresh capital while preserving Yili's proportional ownership and preventing dilution of its strategic interest.

The investment extends beyond financial ownership and further integrates the two companies' operations across China's dairy value chain. In April 2026, Yili and Youran Dairy entered into a 2027–2029 raw milk framework agreement, under which

Youran Dairy will supply at least 70 percent of its annual raw milk production to Yili. The agreement carries a cumulative transaction value exceeding $ 10.28 billion (RMB70 billion), providing Yili with long-term access to high-quality milk while offering Youran Dairy stable demand visibility for its production.

The dual strategy of expanding equity ownership alongside securing long-term procurement reflects an increasing shift among China's leading dairy processors toward vertically integrated supply chains. Rather than relying predominantly on market-based procurement, processors are strengthening relationships with upstream producers to improve supply security, maintain consistent raw material quality and enhance operational planning across processing businesses.

For Yili, the transaction reinforces the company's strategy of building greater control over critical raw material resources as it continues expanding its dairy deep-processing operations. Stable milk sourcing has become an increasingly important competitive advantage as processors invest in higher-value dairy products, improve manufacturing efficiency and strengthen quality assurance throughout the production chain.

The investment also provides Youran Dairy with additional capital while deepening its relationship with one of China's largest dairy processors. The combination of increased equity participation and long-term commercial cooperation is expected to create stronger alignment between upstream milk production and downstream manufacturing, supporting greater efficiency across the dairy value chain.