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Yili launches Shanxi forage drive as dairy industry focuses on cost efficiency

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The move comes as China pushes for greater efficiency, stronger feed security and more integrated crop-livestock systems in dairy farming

Inner Mongolia Yili Industrial Group Co., Ltd. has launched its “Local Forage Innovative Development and Cost-Reduction Technology Application” initiative in Shanxi Province, with a clear focus on one of dairy farming’s biggest challenges: producing more milk without allowing feed costs to erode farm margins. The initiative makes Shanxi a strategic rollout region for Yili’s locally sourced forage technologies, which are designed around the resources and farming conditions of the Yanmen Pass agro-pastoral ecotone. The company aims to help dairy farms reduce their dependence on imported feed, improve feeding efficiency and support better milk quality.

China’s 2026 Central No. 1 Document has put greater emphasis on improving the quality and efficiency of agricultural industries, supporting the beef and dairy sectors and expanding the production of silage corn, alfalfa and other forage crops. The issue is becoming increasingly important for Shanxi’s dairy industry. The province is one of China’s top 10 dairy-producing regions and has set a target of 1.4 million tonnes of milk production by 2030 under its 15th Five-Year Plan for agricultural modernization. Reaching that target will require farms to improve productivity while keeping a closer watch on production costs. That puts forage at the centre of the equation.

Yili’s Dairy Cow Science Research Institute has spent more than a decade developing locally sourced feed solutions. Its work now covers more than 40 types of local forage and eight categories of compound silage fermentation technologies. According to Yili, these technologies can replace more than 8 per cent of imported alfalfa in applicable feeding programmes. The financial impact could be meaningful for dairy farms. Farms using the technologies have reported a daily feed-cost saving of RMB2.06 (about $ 0.30) per cow, while average milk production increased by 1.38 kg per cow per day.

The numbers point to a larger opportunity. For a large dairy operation, even a small reduction in feed costs multiplied across thousands of cows can have a significant impact on the economics of milk production. If that saving is accompanied by higher

milk yields, the benefit becomes even more compelling. But Yili's strategy is not simply about finding a cheaper substitute for imported alfalfa. It is also about making better use of agricultural resources already available in the region.

The Yanmen Pass agro-pastoral ecotone offers a mix of crop and livestock resources that can support a more integrated approach to feed production. Developing forage locally can strengthen the connection between crop farming and dairy production, allowing more agricultural resources to stay within the regional production system. This is increasingly relevant as China looks to make its dairy sector more resilient. Greater use of locally available forage can reduce exposure to external feed markets while creating additional opportunities for crop producers and other players in the agricultural supply chain.

Yili already has a substantial footprint in Shanxi. The company established its Jinzhong plant in 2013 and has since invested more than RMB4.3 billion ($ 634.13 million) in the province. Its operations have supported more than 200 supply-chain partners, generated over RMB20 billion ($ 2.95 billion) in industrial-chain output and created direct and indirect employment for nearly 10,000 people.

The local forage initiative builds on that presence and extends Yili's focus from dairy processing into the economics of milk production itself. For Shanxi, the bigger test will be whether local forage can be scaled without compromising feed quality or milk productivity. If it can, the approach could offer dairy farmers a practical way to manage costs while supporting the province's longer-term production ambitions. The shift also reflects a broader change taking place across China's dairy industry. As the sector moves from rapid expansion towards greater emphasis on efficiency and profitability, the competitive advantage may increasingly come from what happens before milk reaches the processing plant. For Shanxi's dairy farms, that could mean looking closer to home for the next source of efficiency.