

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

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Dairy and Products

Approved By:

Laura Scandurra

Prepared By:

Laura Scandurra and Jianping Zhang

Report Highlights:

FAS Beijing has revised its forecast for whole milk powder (WMP) imports for 2011 and 2012 downward to 350,000 and 375,000 metric tons, respectively. The downward revision is largely attributable to an upturn in import prices in 2011, which put imported WMP out of the reach of many small and medium-sized processors. Increased imports of other dairy products, such as infant formula, also discouraged WMP imports.

General Information:

Author Defined:

Summary

IMPORTS: FAS Beijing (Post) has revised the 2011 forecast for whole milk powder (WMP) imports downward to 350,000 metric tons. However, this is still a seven percent increase over 2010.

The main reason for the downward revision is an upturn in import prices, which has put imported whole milk powder out of the reach of many smaller domestic processors. On average, unit prices for whole milk powder have increased nine percent from January to October 2011. As a result of the increase in prices, smaller processors are turning to domestic WMP, which has resulted in a decline in domestic WMP stock levels. Non-fat dry (NFD) milk prices were up 40 percent during the January to October period in 2011 but were still seven percent cheaper than WMP prices.

In China, imported WMP is used for infant formula and the manufacture of other dairy products or food, such as yogurt, ice cream, UHT milk, chocolates, and bakery items. In spite of the weakening Chinese economy, demand for infant formula is still strong, largely due to lingering concerns over the safety of domestic dairy products. Food safety concerns also contributed to an upturn in imports of fluid milk. From January to October 2011, China's fluid milk imports increased by 40 percent. Demand for imported fluid milk was also likely encouraged by public concerns regarding China's recent implementation of a new dairy standard for raw milk that went into effect on June 1, 2010. The new standard reduced the minimum required protein content from 2.95 to 2.8 percent, and increased the maximum micro-organism tolerance from 0.5 million to 2 million per milliliter.

A factor that will continue to drive imports in the future is the ongoing consumer concern regarding the safety of domestic dairy products. In keeping with current trends, WMP imports are expected to increase about seven percent in 2012 reaching 375,000 MT, but could increase further if international prices fall.

Whole milk powder PS&D table

Dairy, Dry Whole Milk Powder China	2010		2011		2012		
	Market Year Begin: Jan 2010				Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	110	110	80	80		50	(1000 MT)
Production	1,000	1,030	1,050	1,100		1,200	(1000 MT)
Other Imports	320	326	430	350		375	(1000 MT)
Total Imports	320	326	430	350		375	(1000 MT)
Total Supply	1,430	1,466	1,560	1,530		1,625	(1000 MT)
Other Exports	3	3	3	9		11	(1000 MT)
Total Exports	3	3	3	9		11	(1000 MT)
Human Dom. Consumption	1,337	1,373	1,502	1,463		1,556	(1000 MT)
Other Use, Losses	10	10	5	8		8	(1000 MT)
Total Dom. Consumption	1,347	1,383	1,507	1,471		1,564	(1000 MT)
Total Use	1,350	1,386	1,510	1,480		1,575	(1000 MT)
Ending Stocks	80	80	50	50		50	(1000 MT)
Total Distribution	1,430	1,466	1,560	1,530		1,625	(1000 MT)
CY Imp. from U.S.	1	0	0	0		0	(1000 MT)
CY. Exp. to U.S.	0	0	0	0		0	(1000 MT)
TS=TD		0		0		0	

(Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>)