

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 5/19/2015

**GAIN Report Number:**

## China - Peoples Republic of

**Post:** Beijing ATO

## World Dairy Expo in Harbin

**Report Categories:**

Dairy and Products

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**Report Highlights:**

ATO Beijing participated in the World Dairy Expo and dairy seminar in Harbin, China during April 22-24, 2015. The event provided a great platform to share information on the status of the infant formula, pasteurized and UHT milk markets in China.

Beginning/End Dates: April 22 – 24, 2015

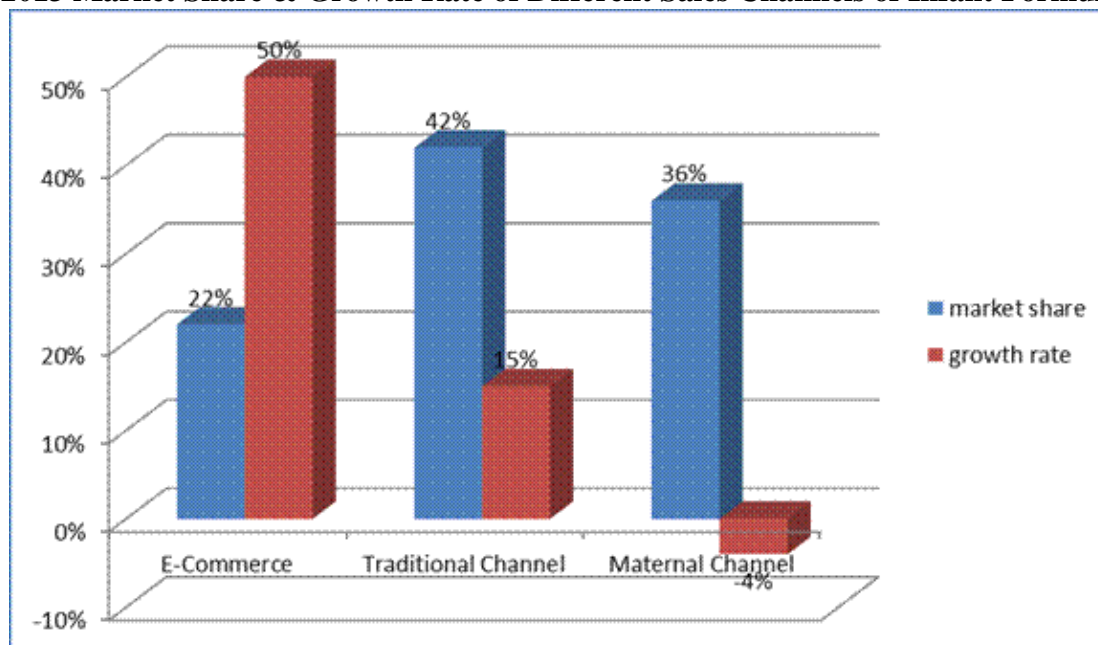
City/Country: Harbin/China

ATO Beijing participated in the World Dairy Expo and dairy seminar in Harbin, China April 22-24, 2015. A number of China's key dairy industry players also attended and participated in the event. ATO Beijing Marketing Specialist, Wang Tong, attended two seminars entitled the Infant Formula Market in China, and China's Pasteurized and UHT milk markets.

**Infant formula:** With China's large population base, one-child policy, and low breastfeeding rate, the nation has become the most competitive and lucrative infant formula market in the world. According to industry sources, China has more than 80 factories producing infant formula and over 3,000 brands in the market. In addition, the price for infant formula products is much higher than in most other countries. At the end of 2014 imported infant formula accounted for a 60% market share in the People's Republic of China.

With the booming and growing e-commerce business in China, the growth rate of infant formula via e-commerce distribution channels has increased rapidly with a 50% increase just in 2013. Correspondingly, the growth rate in traditional distribution channels has fallen given the fierce price competition from the e-commerce market. A new regional dairy company based in Sichuan Province, the New Hope Group, raised the stakes in 2014 when it promoted an infant formula product at a price of 99RMB per 900 gram tin, much below the average price. However, industry insiders do not believe high prices in China will change in the short-term since infant formula sales rely on the reputation of the brand and are unique to specific products. Also, as the market expands more distribution channels will be added in the future like drug stores, mobile shopping and direct-sales. Some industry sources believe mobile shopping for infant formula will increase very rapidly over the next couple of years.

**2013 Market Share & Growth Rate of Different Sales Channels of Infant Formula**



**UHT milk:** Imported UHT milk is very popular in the Chinese market given increasing food safety awareness and healthier lifestyles. Also, imported UHT milk prices are very competitive and have

affected the domestic dairy market as consumers can source over 100 brands of UHT milk products from 27 countries in China. In 2014, sales of UHT milk increased 20.3%. Industry sources say the domestic industry will further develop. Fresh and pasteurized milk will gain more market share. Some dairy companies have opened milk bars in first tier cities to educate consumers. Finally, some progressive companies plan to set up self-serve milk machines in upscale communities to attract more customers and offer lower delivery costs.

### **Cost & Contributions**

Budget Source	Cost (\$)
CSSF	\$ 1,500