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## China, Peoples Republic of

### Dairy and Products

## South China, where opportunity knocks for high value U.S. dairy ingredients

### 2008

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**Report Highlights:**

In recent years, consumption of dairy products in South China has grown due to increasing disposable income, demand for protein, number of stores and improved distribution. Lack of domestic milk spurs demand for imported dairy ingredients including whey, powdered milk, lactose, cheese and butter. The US, as a globally dominant supplier of whey and other dairy ingredients, can compete on price with the EU, Oceania and South America in China. Long term upward prices constrain exports to China, although the weakening dollar offers some relief. Current Chinese standards exclude imports of deproteinized whey for food use. High end niches including delactose products, functional and energy products are best prospects.

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## I. The way of whey and other high value U.S. dairy ingredients

In recent years, consumption of dairy products in South China has steadily grown due to increasing disposable income, demand for protein, number of stores and improved distribution. Lack of domestic milk supply, mostly for fresh or UHT milk, spurs demand for imported dairy ingredients including whey, powdered milk, lactose, cheese and butter as ingredients to make ice cream, milk drinks, infant formula, chocolates and baked products.

As a dominant whey supplier worldwide, the US can produce more whey to respond to increasing demand from emerging economies such as China, Russia, India and South East Asian countries. The U.S. dairy industry has heavily invested in its manufacturing facilities as it sees a bright future in the global market.

The US is the largest whey exporter to China and holds more than 30 percent share. France is close behind with 28 percent. In addition, the US is the third largest supplier of powdered milk and cheese to China, at less than 10 percent share, after the dominant New Zealand and Australia. EU elimination of subsidies on dairy exports and the weakening U.S. dollar have made U.S. products more price competitive. Short supply from Australia due to the drought in past years has also cultivated increasing interest in sourcing U.S. dairy ingredients. (*Refer to Appendix 2 for China's imports of dairy ingredients for China customs data.*)

Other major dairy producers, including the EU, Oceania and South America, are not as competitive as the US in the global market. For one thing, the EU's milk production is capped by production quotas. To capture increasing demand from overseas markets, the EU raised the production quota by 2 percent, effective April 1, 2008. However, withdrawal of subsidies on dairy exports hampers EU dairy exports. Another reason is bad weather in Oceania in past years which has limited milk production in Australia and New Zealand. Lastly, South American producers, including Argentina and Brazil, have imposed heavy duties on exports to ensure dairy supply to their domestic markets.

## II. Dietary changes and health concerns encourage dairy consumption

The Chinese have significantly changed their dietary habits from starch based to more protein based eating along with increasing disposable income. Dairy products are regarded as nutritious as they provide rich protein and calcium. Food products that contain dairy ingredients have also become popular, owing to positive attributes.

Research indicates that dairy products or dairy components address symptoms for a range of physical conditions, from bone health to premenstrual syndromes, from arthritis to obesity. Specific compounds in milk help reduce hypertension, colon cancer and cardiovascular disease. Many such positives are employed to develop and promote new products.

On the consumer side, the emerging middle class demands a wide range of high quality food products, from milk beverage, yogurt, ice cream to chocolates and baked products, from infant formula to protein powder. For instance, formulated powdered milk for infants, children

and the elderly are popular, as consumers believe that such products provide essential nutrients that help children grow or maintain health for the elderly.

To improve public nutrition, the Chinese government proactively encourages milk and dairy consumption. A public nutrition study<sup>1</sup> indicated that low consumption of dairy and low calcium intake are common problems among the Chinese. Average daily calcium intake was only 390 milligrams, far less than the government recommended 800-1,000 milligram level.

The latest Chinese dietary pagoda announced in January 2008 (similar to the U.S. dietary pyramid) has tripled the recommendation from the previous one to daily intake of 300 grams (equals to 241 lbs. per year) milk or equivalent dairy products for individuals over 6 years old. The 2005 U.S. Food Pyramid recommends a much higher consumption of dairy products, three servings a day (about 1-1.5 lbs. of milk), that equals 365–580 lbs. a year. Compared to the actual per capita consumption of only 56 lbs. in China, there is a big gap between current consumption and recommended levels.

One of the government's efforts to encourage dairy consumption is the student milk program, initiated in 2000. It provides subsidized milk to 2 million school students in large and medium cities but for only one percent of the nation's total student population. This drastically falls short of demand.

### III. Lack of milk prompts need for imports

China does not produce enough raw milk so it has to rely on imports of dairy ingredients to meet domestic demand for the next five to ten years. Whey and powdered milk, both whole milk powder (WMP) and skimmed milk powder (SMP), make up most imports while cheese and butter account for only a fraction since Chinese are not big consumers of such products.

In the last decade, domestic milk production has significantly improved from a very low base (see **China Milk Production** graph on page 5). Milk production in South China, even though it is one of the wealthiest regions in the country, is still much lower than the national average, partly due to heat stress from the humid, subtropical climate and lack of nutritional hay production in the region. Take the milk yield in CY 2006 as an example. Five Southern China provinces, namely Guangdong, Guangxi, Fujian, Hunan and Hainan, produced only 436,000 tons of milk, only 1.3 percent of the country's total output.

Despite the rapid development of the dairy industry in recent years, China's huge population means per capita milk consumption lags far behind the world average. For instance, in CY 2006, per capita yearly dairy consumption in the urban area, where dairy consumption is much higher than in the rural area, was only 56 lbs.. (25.5 kgs)<sup>2</sup>, about 1 quarter of the world average, or half of Asia's average.

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<sup>1</sup>Yang, Xiaoguang, *The nutrition and health status of Chinese People*, presented at Food Summit in China 2006, Xiamen

<sup>2</sup> China Animal Husbandry Yearbook, 2007

Given limited milk yield, most of the milk is consumed in liquid form, and very little goes through further processing for condensed or dried milk. There is almost no cheese and butter production in the country, not to mention production of derived dairy ingredients, e.g., whey and lactose that are widely used as ingredients in baked products, confectionary and ice cream. Therefore, most of the dairy ingredients, such as whey, cheese and lactose, have to rely on imports.

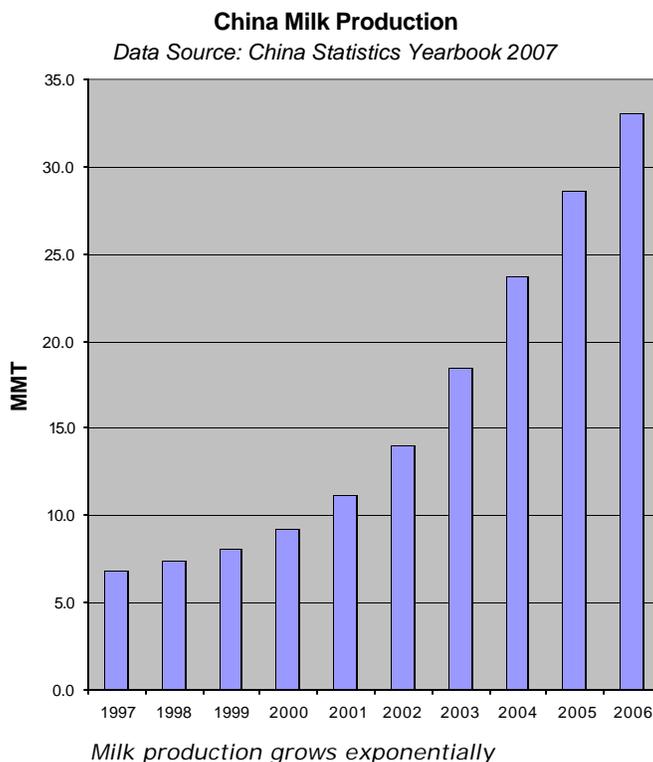
The import and distribution channel consists of producers/exporters, importers, distributors of dairy ingredients and the food manufacturers who use the ingredients to make final

products. Large distributors, e.g., *Pacific Dairy*, *Huabai*, and *Milky Way*, who usually partner with exporters, have well-established nationwide or regional network to provide customers with both products and value-added technical services. This larger group has the advantage of consistent supply, higher-end customized ingredients and product solutions. Smaller importers and distributors operating on a less broad regional basis are more likely to carry generic products such as powdered milk targeting the middle and lower end market. Large producers including *Ballentine*, *Glanbia*, *Land O'Lakes*, and *Hilmar* actively promote their products.

#### IV. Fast growing food processing sectors boost demand for dairy ingredients

Fast growing food processing and manufacturing sectors, e.g., ice cream, milk beverages, and formulated powdered milk, tremendously boost demand for various dairy ingredients, from whey, powdered milk and lactose to cheese and butter. High-end food manufacturers competing on innovation and product quality actively seek high quality ingredients to add value to products.

As the market and products become more sophisticated, U.S. exporters and producers should maintain close communication with Chinese clients to develop ingredients that meet specifications.



Thanks largely to *US Dairy Export Council (USDEC)*'s marketing efforts, Chinese food manufacturers have learned how to use dairy ingredients for confectionary, ice cream, infant formula and baking. Below highlights how key sectors<sup>3</sup> apply dairy ingredients. (Refer to *Appendix 1* for more details on ingredients and applications.)

### Fluid Milk

The fluid milk sector, which consists of mostly flavored milk drinks and UHT (Ultra Heat Treated) milk, plus some fresh/pasteurized milk, realized sales of US\$15 billion in 2007, a 14 percent increase from the previous year. Due to shortage of fresh milk, milk powder (mostly from imported sources) is reconstituted to make final products. Domestic players including *Mengniu* and *Yili* (both from Inner Mongolia), *Bright* (from Shanghai), and *Chenguang*, *Classics* and *Yantang* (all from Guangdong) dominate the market. Imported products hold very limited share in this sector. As the most popular dairy products, demand for milk drinks will steadily climb in the next five years. Health and wellness products, including high-calcium, low fat or no-fat milk drinks are also on the rise.

### Bakery

The bakery sector is fast growing, and product development with innovative high quality ingredients are strategies that high-end bakeries in South China employ to compete in the premium market. In CY 2007, sales of baked products in South China grew 9 percent from the previous year to US\$ 3.8 billion, outperforming the country's average growth of 7 percent.



*High quality dairy ingredients add value to premium baked goods  
(Source: ATO Guangzhou)*

<sup>3</sup> Sales values for each sector from Euromonitor

Just 10 years ago, high-end bakeries didn't even exist in South China. Now there are many upscale bakery chains and outlets for bakery products including *Bread Talk* (photo on right), *Queen's Cake Shops*, *Starbucks* (photo on page 8) and *Häagen Dazs*, not to mention outlets at 5-star hotels. Western style items, for instance, cheese cakes, have become very popular. Chinese bakers and consumers are aware of dairy ingredients, including cheese, cream, and whey.

### Ice Cream

Ice cream has become a year 'round snack or dessert, rather than only eaten in summer. A full range of products are available in the market, from low end products targeting less wealthy consumers to world renowned brands such as *Häagen-Dazs* serving upscale niches in large cities. The sector keeps a steady pace at a 10 percent annual growth rate. In 2007, sales reached US\$ 4.9 billion.



*Bread Talk, a high-end bakery in Guangzhou*  
(Source: ATO Guangzhou)

### Yogurt

Yogurt is very popular for Chinese consumers, as it is perceived as nutritious and healthy. Products with added value, for example, those added with "probiotic" ingredients – live bacteria that pass through the stomach to the gastrointestinal tract where they help maintain a healthy balance between 200 plus kinds of bacteria living there, and thus help digestive and immune systems - are increasingly consumed on a daily basis by many urban consumers. To capture the share in the fast growing market, both international and large domestic manufacturers aggressively develop and promote new products with innovative healthy ingredients. *Danone*, *Bright*, *Mengniu* and *Yili* are the most popular brands. In 2007, sales of total yogurt products rose 20 percent to US\$ 3.1 billion, and probiotic yogurt grew at a much faster pace – a whopping 38 percent.



*A wide range of products using whey ingredients: milk beverage, energy bars, infant formula, bio yogurt and whey protein powder*  
(Source: ATO Guangzhou)

### Milk Formula

Milk formula for infants and children also records dynamic growth, with greater presence of premium products. Milk formula for the elderly has also grown along with the increasing senior population. In addition to milk powder, high quality whey protein concentrates (WPC), lactose and milk calcium are usually incorporated in the formula to fortify the nutritional level of final products. Sales of formulated milk powder for infants and children exceeded US\$ 2.8 billion, a 28 percent leap from the previous year. The market is shared by international manufacturers including *Nestle*, *Wyeth*, *Mead Johnson* and domestic ones such as *Yili*, and *Yashili*.

### Chocolate Confectionary

Sales of chocolate confectionary grow steadily. Chocolates are popular treats and gifts for youths, especially on holidays and special occasions such as wedding ceremonies. Milk powder, whey, WPC and lactose are commonly used in confectionary to enhance flavor, texture, color and nutrition. CY 2007 saw annual sales of US\$ 900 million with 11 percent growth. International companies, including *Nestle*, *Effem*, *Cadbury*, *Ferrero*, *Le Conte*, *Kraft*, *Hershey* and *Guylian* dominate the market while domestic players have only a small share targeting the middle and lower end market.

### HRI Sector

The fast growing restaurant sector is another driver for cheese consumption. Pizza restaurants and other western style restaurants have gained increasing popularity, especially in large cities, where cheese, together with many other high quality food ingredients, are included in the menu as a key selling point to local consumers. In addition, upscale Chinese restaurants create fusion cuisine by creatively using cheese and cream.

Pizza chains, including *Pizza Hut*, *Papa John's* and many smaller pizza makers, have grown like wild in recent years, due to wide product choices and fast service offered to sit-in, take-out and home delivery consumers. Take *Pizza Hut* as an example. Since 1990 when the first *Pizza Hut* restaurant was opened in China, the chain has opened 350 restaurants in over 80 cities, of which 30 are located in Guangzhou alone (see photo on right), the largest city in South China. Every week, there is a new *Pizza Hut* opened in China.



One of many Starbucks and Pizza Huts in South China  
(Source: ATO Guangzhou)

## Cheese

Cheese has not been a part of the Chinese diet for a long time so almost no cheese was produced in China until recently. Product knowledge and awareness of cheese is very limited among Chinese consumers except mozzarella as a topping for pizza. Foreigners living in China and the Chinese consumers who adopt western eating habits make up most cheese consumers. However, with increasing knowledge and availability of cheese products, sales of cheese are rapidly growing from a small base in large cities. Cheese sales in 2007 rose 18 percent to US\$ 77 million.

Value added ingredients, for instance, cheese powder made by spray-drying cheese have gained increasing presence in many food products, as they add health and nutritional value and enhance the flavor of final products. Due to the very low moisture content, it offers the important advantage of storage at room temperature, rather than in a refrigerator, and thus significantly cuts logistical and storage costs. Typical applications of cheese powder include biscuits, savory snacks, baked products, sauces, dips and dressings, ready meals, and even reconstituted cheese.

Though in the short run, cheese will not become a key component in large volume in Chinese food consumption, education to consumers and food service providers will help increase awareness and interest in health conscious consumers, and thus accelerate sales. Large cheese producers, including *Kraft* and *Land O'Lakes* from the US, and *Ballantine* from Australia, have started promoting both natural and processed cheese to local high-income consumers. Some manufacturers make cheese products targeting children such as string cheese, to cultivate future cheese consumption.

Most cheese in the market is imported. Cheddar (for burgers), mozzarellas (for pizzas) and cream cheese (for cheese cakes) from the US, France, New Zealand and Australia are the main varieties. Cheese production in China, only at small volumes, is mostly processed cheese slices produced by large dairy product manufacturers such as *Kraft* and *Shanghai Bright*.

## V. High-end niches where high value ingredients excel

A number of high-end niche markets where dairy ingredients may add value are worth exploring. These include:

- Delactose products for lactose intolerance, a problem of lactose allergy or dis-absorption that over 90 percent of the Chinese population reportedly suffer from
- Performance enhancing food and drinks that enhance endurance, muscle growth and recovery, and athletic nutrition
- Disease recovery, e.g., specific milk compounds that help reduce cholesterol, colon cancer and cardiovascular diseases
- Functional and energy food and drinks for health and wellness

## VI. Upward prices versus high price sensitivity

Globally tight supplies and increasing demand have pushed prices of dairy ingredients to historic levels. Despite price fluctuations, Post sees upward price trends for the longer term due to increasing demand from emerging economies, increasing cost on dairy production and lack of milk and dairy ingredients stocks in the industry.

High prices have already constrained, and will impact imports of dairy ingredients for the highly price sensitive China market. In 2007, global record high prices of dairy products changed the pattern of dairy ingredients trading to and from China. Despite low domestic milk production, high prices in overseas markets drove China's dairy exports to record high levels - 135,000 tons (mostly milk and powdered milk) in volume terms, an 80 percent leap. However, import volumes (mostly whey and powdered milk) dramatically dropped, 9 percent on whey imports to 168,000 tons, and 27 percent on powdered milk to 99,000 tons. However, the weakening dollar against the Chinese currency somewhat ease prices for Chinese purchases. (*Refer to Appendix 2. for more details on China's dairy ingredients imports.*)

Price sensitive manufacturers want ingredients that add the most value to final products. Therefore, they are less interested in making such products as UHT milk or fresh milk that have limited profit margins, and more willing to produce and promote products of higher profit margin such as bio-yogurt.

## VII. Chinese standard does not allow deproteinized whey for food use

"Deproteinized whey," a modified dairy product obtained by removing protein and/or lactose from milk or whey, typically contains 3-8 percent protein while "whey" typically contains 11-13 percent protein. In many dairy export countries, whey and deproteinized whey are classified as separate products. In the US deproteinized whey is under the general product classification "dairy product solids" or DPS and is accepted for food use.

However, China's *Hygienic Standard of Whey Powders* (GB 11674 – 2005) sets minimum protein content levels for food-use whey at 10 percent for non-demineralized whey powder and 12 percent for demineralized whey powder. Such standards are also de facto applied to food-use deproteinized whey (also known as permeate) which usually contains 3–8 percent protein, as current standards do not accommodate the category of deproteinized whey. Thus, the standard has become a trade barrier that prohibits imports of deproteinized whey as food ingredients.

## Appendix 1. U.S. Dairy Ingredients and Their Applications

Ingredients	Application
<p><b>Whole Milk Powder (WMP)</b> is the product resulting from removing water from milk and contains not less than 26 percent, but not more than 40 percent milkfat and not more than 5.0 % moisture ( as determined by weight of moisture on a milk solids-nonfat basis).</p>	<p>For bakery, confectionary, dairy, prepared mixes, reconstituted milk, milk drinks, formulated powdered milk as:</p> <ul style="list-style-type: none"> <li>--an economical source of dairy solids,</li> <li>--a convenient form of milk that does not require refrigeration, and</li> <li>--as easily and readily transported and stored dairy ingredients.</li> </ul>
<p><b>Skim Milk Powder (SMP)</b> is the product resulting from removing fat and water from milk and contains lactose, protein and minerals in the same relative proportions as in the fresh milk from which it was made. It contains not more than 5.0% moisture (by weight). The fat content is not more than 1.5% (by weight) unless otherwise indicated.</p>	<p>For bakery, confectionery, dairy, meat products and prepared mixes as:</p> <ul style="list-style-type: none"> <li>--an economical source of nonfat dairy solids.</li> <li>--a source of high-heat dairy solids, important for good loaf volume in breads.</li> <li>--a source of low-heat dairy solids, important for optimizing sensory properties in dairy foods and beverages.</li> <li>--a partial replacement for whey protein concentrate that provides similar concentrations of lactose but different types of protein and minerals/ash.</li> <li>--an easily and readily transported and stored dairy ingredient.</li> </ul>
<p>U.S. <b>cheese</b> is made from milk, usually by coagulation. The milk is acidified, typically with a bacterial culture, then the addition of the enzyme rennet or a substitute (e.g. acetic acid or vinegar) causes coagulation, to give curds and whey.</p>	<p>Cheese is a key component of many food products around the world because of its flavor, performance and versatility. It is used as ingredients in pizza, pasta, western cuisine, cheese cake, baked goods and desserts, as U.S. cheeses add flavor, improve food texture, boost nutrition, offer a range of functionality and enhance marketing appeal and add value to the final products.</p>
<p>All U.S. <b>whey Ingredients</b> comes from cheese manufacturing via a closely monitored production process. The fluid and sweet whey are expelled during cheese making and are further processed into whey powder, reduced-lactose whey, demineralized or reduced-mineral whey, whey protein concentrate (WPC) or whey protein isolate (WPI). During this further processing, lactose — a component of the whey — is extracted from the whey as well.</p>	
<p><b>Sweet Whey</b> is obtained by drying fresh whey (derived during the manufacture of cheeses such as Cheddar and Swiss) that has been pasteurized and to which nothing has been added as a preservative. Sweet-type whey powder contains all the constituents of fresh whey, except moisture, in the same relative proportion.</p>	<p>For baked goods, confectionary, snacks, cheese processing, dessert and ice cream as an economical source of dairy solids with 8%-9% salt/ash content.</p> <ul style="list-style-type: none"> <li>--a means to enhance color during high temperature cooking and baking.</li> <li>--a source of high-heat processed dairy solids, important for good loaf volume in breads.</li> <li>--a free-flowing, easy-to-disperse carrier in dry blends when classified as a non-hygroscopic whey powder.</li> </ul>

**Acid whey powder** is obtained by drying fresh whey (derived during the manufacture of cheeses such as cottage and ricotta) that has been pasteurized and to which nothing has been added as a preservative. Acid-type whey powder contains all the constituents of fresh whey, except moisture, in the same relative proportion.

For dairy, bakery, snack and other food products as:--an economical source of dairy solids with high calcium content.--a source of lactic acid flavor.

**Reduced lactose whey** is obtained by selective removal of lactose from whey. The lactose content of the dry product may not exceed 60 percent. Removal of lactose is accomplished by physical separation techniques such as precipitation, filtration, or dialysis. The acidity of reduced lactose whey may be adjusted by the addition of safe and suitable PH ingredients.

For dairy, meat, snack and other food products as:  
--an economical source of dairy solids.  
--an alternative to sweet whey powder, when lower lactose and higher protein concentrations are desired, and the higher mineral/ash content has positive consequences.

**Whey Permeate\*** (also called de-proteinized whey or Dairy Product Solids (DSP)) is a modified dairy product obtained by removing protein and / or lactose, and / or minerals from milk or whey through technical separation techniques such as precipitation, filtration or dialysis.

Confectionary, baked goods, beverage, cheese processing, dessert, ice cream, salad dressing, sauce and soup.

**Demineralized whey** (also called reduced-minerals whey) is obtained by removing a portion of the minerals from pasteurized whey. Typical levels of demineralization are 25, 50 and 90 percent. The dry product may not exceed 7 percent ash. Demineralized whey is produced by physical separation techniques such as precipitation, filtration or dialysis.

For dairy, bakery, confectionery, infant formula, yogurt, salad dressing, sauces, soup, dessert and ice cream and other food and nutritional products as:  
--an economical source of dairy solids.  
--an alternative to sweet whey powder, when lower mineral/ash content and a high lactose content is desired for nutritional or flavor reasons.  
--an alternative to lactose, when a moderate protein content provides added nutritional or functional advantages. beverage, confectionary,

**Whey Protein Concentrate (WPC)** is obtained by removing sufficient non-protein constituents from pasteurized whey so that the finished dry product contains more than 34 percent to over 80 percent protein. WPC is produced by physical separation techniques such as precipitation, filtration or dialysis.

Widely applicable to a large range of products from formulated powdered milk, functional food and beverage, sports nutrition, yogurt and cheese making, processed meat and fish products, desserts, ice cream, baked goods and confectionary and functional products as a source of dairy solids and high quality protein at different concentration levels with various properties, including good emulsifying, fat or water binding, thickening properties.

**Whey Protein Isolate (WPI)** is obtained by removing sufficient non-protein constituents from whey so that the finished dry product contains not less than 90 percent protein. WPI is produced by physical or chemical separation techniques such as filtration or ion exchange. Acidity may be adjusted by the addition of safe and suitable PH ingredients.

Widely applicable to a large range of products from formulated milk powder, functional food and beverage, sports nutrition, yogurt and cheese making, processed meat and fish products, desserts, ice cream, baked goods, confectionary, snack and other food and nutritional products as:

- a concentrated source of high-nutritional-quality protein for protein supplementation.
- a source of protein that is soluble or forms a stable colloidal dispersion at ambient temperature and all pH conditions.
- a source of protein with good emulsifying, fat binding and water binding/thickening properties.
- a source of protein with good heat-setting (gelling) and whipping properties.

**Lactose** is removed from whey during the concentration process. This milk sugar is a white to creamy-white crystalline product possessing a mildly sweet taste. It may be anhydrous, contain one molecule of water or be a mixture of both.

For dairy, infant formula, bakery, snack, confectionery, and other food and nutritional products to:

- act as a free-flowing, non-hygroscopic carrier in dry blends.
- absorb and enhance flavors and absorb colors.
- contribute to color and flavor development through the Maillard browning reaction.
- replace other sweeteners as a source of solids with low sweetness intensity.
- act as the natural carbohydrate energy source in infant formulas.
- act as the functional carrier in pan-coating candy centers and forming tablets.

\* Despite being a common food ingredient in many countries, whey permeate is not allowed for food use in China as it sets a minimum protein content of 10 percent.

Source: U.S. Dairy Export Council

## Appendix 2. China's Imports of Dairy Products

HS	Description	Import Volume ( Metric tons)			Share %	% Change - 07/06 -
		CY 2005	CY 2006	CY 2007		
<b>0402</b>	<b>Condensed milk or cream</b>	<b>108,029.50</b>	<b>136,046.10</b>	<b>99,096.10</b>	<b>100</b>	<b>-27.2</b>
Including:						
04022100	Milk & Cream In Solid Forms Of >1.5% Fat, Unsweetened	61,625.60	67,448.60	51,242.60	51.7	-24
04021000	Milk & Cream In Solid Forms Of <=1.5% Fat	42,598.70	62,385.90	40,416.00	40.8	-35.2
04022900	Milk & Cream In Solid Forms Of >1.5% Fat, Sweetened	2,579.80	5,083.40	6,512.40	6.6	28.1
04029100	Concentrated Milk & Cream, Unsweetened (Excl. In S	1,190.30	1,097.10	845.4	0.9	-23
04029900	Sweetened Milk & Cream (Excl. In Solid Form)	35.1	31.1	79.7	0.1	156
<b>Key exporting countries</b>						
	New Zealand	82,578.10	104,860.80	71,904.80	72.6	-31.4
	Australia	12,168.60	11,235.90	12,481.10	12.6	11.1
	United States	5,950.30	13,890.30	6,543.40	6.6	-52.9
	France	526.4	652.6	1,822.70	1.8	179.3
<b>0404</b>	<b>Whey</b>	<b>188,006.00</b>	<b>184,505.10</b>	<b>167,584.00</b>	<b>100</b>	<b>-9.2</b>
Including:						
04041000	Whey And Modified Whey	187,277.30	184,496.50	166,733.30	99.5	-9.6
04049000	Products Consisting Of Natural Milk Constituents,	728.7	8.6	850.7	0.5	9,813.00
<b>Key exporting countries</b>						
	United States	77,071.90	66,056.60	49,722.80	29.7	-24.7
	France	44,276.80	47,293.10	47,168.00	28.1	-0.3
	Finland	10,537.00	11,360.00	12,260.00	7.3	7.9
	Netherlands	13,861.30	8,818.60	11,235.90	6.7	27.4
	Germany	1,305.20	4,802.50	7,992.40	4.8	66.4
	Australia	12,823.90	11,266.30	6,368.50	3.8	-43.5
	Ireland	8,483.10	8,535.20	6,201.10	3.7	-27.4
	Argentina	795.8	2,475.70	5,046.50	3	103.8
	New Zealand	2,845.30	2,619.90	4,786.70	2.9	82.7

HS	Description	Import Volume ( Metric tons)			Share %	% Change - 07/06 -
		CY 2005	CY 2006	CY 2007		
<b>0405</b>	<b>Butter, oils from milk</b>	<b>12,834.90</b>	<b>12,781.20</b>	<b>14,002.10</b>	<b>100</b>	<b>9.6</b>
	including					
04051000	Butter	7,317.00	7,510.70	9,748.20	69.6	29.79
04059000	Other Fats & Oils Derived From Milk	5,467.40	5,219.90	4,181.30	29.9	-19.9
04052000	Dairy Spreads	50.5	50.6	72.6	0.5	43.54
	<b>Key exporting countries</b>					
	New Zealand	7,604.20	10,518.50	10,541.50	75.3	0.2
	Australia	1,025.90	655.4	1,788.50	12.8	172.9
	France	939	227.6	694.6	5	205.1
	Belgium	813.9	217.1	278.9	2	28.4
	Netherlands	146	225	203.1	1.5	-9.7
	Ireland	640.9	159.8	152.6	1.1	-4.5
	Germany	361.2	93.2	109.2	0.8	17.1
<b>0406</b>	<b>Cheese and curd</b>	<b>7,177.70</b>	<b>9,892.00</b>	<b>13,190.00</b>	<b>100</b>	<b>33.3</b>
	including					
04069000	Cheese	3,821.30	5,938.60	6,639.80	50.3	11.8
04063000	Processed Cheese, Not Grated Or Powdered	2,853.70	3,023.70	4,231.20	32.1	39.9
04062000	Grated Or Powdered Cheese	191.7	512.1	1,629.80	12.4	218.3
04061000	Fresh Cheese, Including Whey Cheese & Curd	305.6	410.6	679.3	5.1	65.5
04064000	Blue-Veined Cheese, Other-Veined Cheese Prod. By	5.4	7.1	10	0.1	41.8
	<b>Key exporting countries</b>					
	New Zealand	3,455.30	4,051.30	5,424.90	41.1	33.9
	Australia	2,312.00	3,463.20	4,417.50	33.5	27.6
	United States	306.9	809.8	1,193.20	9	47.4
	Germany	169.2	352.8	530.2	4	50.3
	France	154.1	192.2	293.3	2.2	52.6

Source: China Customs

**VIII. Post Contact Information**

For further information about the China market, please visit our website at [www.usdachina.org](http://www.usdachina.org) or contact any of the following USDA offices in China:

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**IPR Office**

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