



**CCM** Data & Business  
Intelligence

# **Governmental Direction of China's Dairy Industry in 2018**

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## 1. Introduction

Affected by the Chinese macroeconomic environment and the growth of dairy market consumption, dairy production and per capita dairy consumption increased significantly, dairy industry has already become one of the fastest growing industries in China. But several problems such as unreasonable structure, surging costs of environmental protection and overall monitoring came up along with the development. At this time, the governmental policies and supervision are especially important.

To clearly describe the government direction on China's dairy industry, CCM has collected lots of information in various ways. In this report, all aspects of the government policies and supervision have been analysed.

The Chinese government will strengthen the guidance of dairy industry and will pay more attention to dairy safety problems and structure optimization of dairy industry. At the international level, international dairy cooperation will still be the most important topic.

## 2. Approach for this report

The report is drafted by diverse methods as follows:

### - Desk research

The sources of desk research are various, including published magazines, journals, government websites and statistics, industrial statistics, association seminars as well as information from the Internet. A lot of work has gone into the compilation and analysis of the obtained information.

### - Internet

CCM visited government websites and contacted with players in the domestic agrochemical industry through B2B websites and software.

### - Data processing and presentation

The data collected and compiled are sourced from:

- CCM's database
- Published articles in periodicals, magazines, journals and third-party databases
- Statistics from governments and international institutes
- Telephone interviews with domestic producers, joint ventures, service suppliers and governments
- Third-party data providers
- Comments from industrial experts
- Professional databases from other sources
- Information from the internet

The data from various sources have been combined and cross-checked to make this report as precise and scientific as possible. Throughout the process, a series of internal discussions were held in order to analyse the data and draw the conclusions.

### 3. Executive summary

In 2018, the Chinese government issued a series of policies for the revitalisation of dairy industry. For example, On 11 June, 2018, the State Council of the People's Republic of China officially issued *the Opinions on Accelerating the Advancement of the Revitalisation of the Dairy Industry and Guaranteeing Dairy Products Quality Safety* (the Opinions). On 26 December, 2018, the Ministry of Agriculture and Rural Affairs (MOA), the Ministry of Finance, the Ministry of Commerce and 6 other ministries issued *Several Opinions on Further Promoting the Revitalisation of the Dairy Industry* in response to the Opinions.

As can be seen from these two documents, scale farming and the quality of domestic dairy products are the focus of the government.

In late February of 2018, Milk Research Team of Chinese Academy of Agricultural Sciences, issued draft revisions to 4 food safety standards, including *National Food Safety Standard—Raw Milk (GB 19301-2010)*, *National Food Safety Standard—Pasteurized milk (GB 19645-2010)*, *National Food Safety Standard—Sterilized Milk (GB 25190-2010)* and *Identification of Reconstituted Milk in Pasteurized and UHT Milk (NY/T 939-2016)*. Later on 7 September, 2018, the National Health Committee issued draft of revised standards for infant formulas. There is no doubt that revising national standards is the key point to improve the quality of domestic dairy products.

The quality and safety of infant formula is always the top priority of supervision. A nationwide infant formula plant safety inspection was completed in H1 2018, covering 108 companies in 23 provinces. Since the initiation of this inspection in H2 2014, 19 enterprises have been required to suspend production for rectification, 10 been fined and filed, 2 have had production licences revoked, and 4 have been deregistered.

The infant formula registration policy was officially implemented on 1 January, 2018, which has eliminated numerous small uncompetitive factories with backward production facilities and poor quality products. It is a huge step in the long way improving domestic infant formulas' quality.

China's dairy market is very open due to the low tariff. In 2018, China imported 2.7 million tonnes dairy products through traditional trade channels, up by 7.9%. Additionally, with the development of cross-border e-commerce (CBEC), more and more imported dairy products also enter China through this channel. In November 2018, the Chinese government announced another delay in the supervision of CBEC. This allows foreign dairy products to continue to enter the domestic market at a relatively low price and grasp market share from domestic companies.

## 4. What's in this report?

**Note: Key data/information in this sample page is hidden, while in the report it is not.**

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### 2 On industry development

#### 2.1 State council demands faster dairy industry improvement

On 11 June, 2018, the State Council of the People's Republic of China officially issued the Opinions on Accelerating the Advancement of the Revitalisation of the Dairy Industry and Guaranteeing Dairy Products Quality Safety (the Opinions), describing the dairy industry as vital for a healthier and stronger nation, which set the following goals:

##### **By 2020**

- The proportion of large-scale breeding over 100 heads will exceed 65%, and the self-sufficiency rate of milk sources will be maintained at over 70%.
- The quality, competitiveness and reputation of domestic infant formula milk powder products improve significantly.
- The quality and safety level of dairy products greatly improve, the qualified rate of product supervision and sampling inspection reaches more than 99%, and consumer confidence gets significantly enhanced.
- The comprehensive utilization rate of breeding waste reaches over 75%.

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### 3 On industry standard

#### 3.1 Dairy safety standards revised again

In late February of 2018, draft revisions to the following 4 food safety standards were released:

- *National Food Safety Standard—Raw Milk (GB 19301-2010)*
- *National Food Safety Standard—Pasteurized milk (GB 19645-2010)*
- *National Food Safety Standard—Sterilized Milk (GB 25190-2010)*
- *Identification of Reconstituted Milk in Pasteurized and UHT Milk (NY/T 939-2016)*

They were drafted by three organisations: the Quality Supervision and Inspection Centre for Dairy Products (Beijing) of the Institute of Animal Science (IAS) at the Chinese Academy of Agricultural Sciences, IAS's Milk Research Team (MRT) and the Risk Assessment Laboratory (Beijing) of the Ministry of Agriculture for Dairy Product Quality and Safety.

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### 4 On foreign products

#### 4.1 Cross-border E-commerce supervision postponed

On 21 November, 2018, the stricter supervision on cross-border E-commerce (CBEC) which had been expected was postponed, whilst extension of the coverage of current regulations was decided upon at the executive meeting of China's State Council. Specifically:

- Products imported via CBEC will continue to be regarded as being for private citizens, thus no import permit and registration needed.
- Current policies validated in 15 CBEC pilot cities will be extended into 22 more cities (including Beijing, Shenyang, Nanjing, Wuhan, Xi'an and Xiamen).



- Tax exemptions for a certain amount of CBEC goods will continue, but the ceiling values (above which 70% tax rates will be applied) are to increase

- for a single transaction: from USD287.1 (RMB2,000) to USD717.7 (RMB5,000)
- annually: from USD2,870.7 (RMB20,000) per capita to USD3,731.9 (RMB26,000) per capita

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